Machine tools Can Europe keep up with the Japanese?



Rebuilding German Uphill struggle for Halle and Rostock



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# FINANCIAL TIMES

### **Volvo postpones** meeting on Renault merger

Volvo, the Swedish manufacturer, postponed next week's planned shareholders meeting on the proposed merger of its car and truck operations with France's Renault for one month following intensive criticism of the deal in Sweden. It said it was seeking "further clarification" of the French government's plans to privatise Renault, a key focus of Swedish opposition to the merger.

McDonnell Douglas, US aerospace group, reported record third-quarter earnings of \$142m, underscoring a year-long financial recovery, helped by a large cost-cutting programme. It also forecast it would top Wall Street's expectations for the full year, despite the sharp downturn in US defence spending and a recession in the civil aviation

Ulster peace plan offer: The British ent promised to table a comprehensive peace plan for Northern Ireland if the province's four non-violent political parties agree to a fresh round of peace talks. Page 20

Japanese investors paid in kind: Japanese companies forced to cut dividends as earnings are hit by the country's prolonged economic slow-down are starting to compensate shareholders with produce instead. Page 20

Bradford & Bingley, the UK's seventh largest building society, has become the first non-German institution to be given permission to set up a Bausparkasse, the German equivalent of a building society. Page 21; Lex, Page 20

Capital Cities, which owns the ABC television network, has offered to buy from its shareholders up to about 12 per cent of its existing common stock which will cost the cash-rich group between \$1.18bn and \$1.26bn. Page 21

Dinkins struggles against challenger: Rudolph Giuliani,



(left), the Republican-Liberal candidate, remains the slight favourite to oust David Dinkins the Democrat, as mayor of New York today in the most eye catching of dozens of election across the US. The test polls put the

o men on a virtual may understate the extent of support for Gittiani the former federal prosecutor. Four years ago Dinkins beat Giuliani by only 2 per cent. Page 5

Japanese new car sales decline: The severity of the downturn is Japan's car market was underlined by registration figures for October which showed that sales of new cars were down 11.3 per cent on October last year. Page 4

ilva, Italy's state steel company, has decided to split its activities into three, marking an important step in the state's withdrawal from lossmaking steel production. Page 2

Norway may cut olifield tax breaks: Norway is considering reducing tax concessions to oil companies that retain high levels of debt, in an effort to stabilise government revenues from the North Sea. Page 3

Three die in Hallowe'en ambush: Two gunmen ambushed a group of 13 and 14 year-olds walking home from a Hallowe'en party in Pasa-dena, California, killing three boys and wounding three others in a motiveless attack.

Space shuttle sets record: Space shuttle Columbia landed in California with seven astronauts and a cargo of laboratory rats, after a 14-day mission that set a US flight endurance record for the longest of all 58 shuttle missions.

New newspaper for Hong Kong: The publisher of Hong Kong's biggest Chinese daily, Oriental Press Group, confirmed it is setting up an English-language paper to challenge the dominant South China Morning Post. The Eastern Express will be launched in January.

UK schoolboys on murder charge: The trial opened of two 11 year old boys charged with murdering two-year-old James Bulger in Liverpool, northern England. The court heard they attacked James with bricks, stones and a piece of metal before laying his body on a railway track, where it was hit by a train and cut in two.

Four feared dead in Corsican storms: Ten people were missing and four feared dead in flash floods which struck the Mediterranean island of Corsica. Weather, Page 20

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# **US Supreme** Court to sit on unitary tax system

By George Graham In Washington

THE US Supreme Court placed the Clinton administration in a painful quandary yesterday by announcing that it was going to review the constitutionality of California's unitary tax system – which taxes multinational corporations on the basis of their worldwide income.

The nine-member court said it would review both the case brought by Barclays Bank of the UK, questioning California's right to apply the unitary system to foreign-owned companies, and a parallel case brought by Col-gate-Palmolive raising similar issues in relation to US-owned

Together, the two cases may iffect about \$4bn in tax revenues that California has either collected or assessed:

Fulfilling a campaign pledge, President Bill Clinton reversed the policy of the last three administrations by backing California's argument that the case should not be heard. The administration is extremely anxious that California, politically crucial and virtually bankrupt, should not lose the \$4bn at stake.

administration is unwilling to eign partners - especially the UK - who have unrelentingly criticised unitary taxation as contrary to the internationally accepted

In a brief filed with the Supreme Court last month, the US solicitor-general argued that although the decision by the Cal-ifornia Supreme Court upholding the unitary system was "subject no practical need for a review because of changes California made last month to its tax law to meet foreign objections.

the revenues of the companies doing business in the state.

representing the UK government any such prediction.

ting the changes to the unitary tax system, said he was disappointed by the Supreme Court's

Continued on Page 20 | China's premier, said in remarks

to serious question", there was The unitary method assesses

tax on a proportion of a group's worldwide income, whereas the arm's length system taxes only Yesterday's announcement sur-

prised many legal experts and appeared to shift the odds of victory strongly in Barclays' favour, but Mr Jerome Libin, a lawyer in the case, cauttoned against

"It only takes four votes to grant a petition for review and it takes five votes to win," he said. Mr Brad Sherman, a member of the California franchise tax board who was active in promo-

decision. "We thought we had a At the same time, the Clinton good chance to close this can of In reviewing the Barclays and US builds bridges to Beijing

SENIOR US defence department official is in Beijing for talks which mark the end of of great significance" Washington's four-year ban on high-level military contacts and are the latest sign of a revitalisation of its policy towards China.

The discussions being held by Mr Charles Freeman, assistant secretary of defence for regional security affairs, with the People's Liberation Army follow separate visits to Beijing in recent weeks by Mr Mike Espy, the agriculture Department and trade officials. Also indicating an improvement in relations. Mr Li Peng,

in Lendon

month's meeting in Seattle between President Bill Clinton and Mr Jiang Zemin, China's president, "is a good thing and is Officials of both sides have,

however, been careful not to raise hopes that significant Sino-US agreements could be reached The recent visits by US officials

to Beijing represent an attempt by Mr Clinton to broaden the relationship between the two countries, which has been tense and restricted since the 1969 kill-Recently relations have been fur-ther clouded by heightened US pressure on China over human doubt that Mr Clinton may

The new US strategy is to nation trading status next year if maintain insistence on improvement in these areas but also engage China in a much broader range of discussions so that the issues in dispute cease to domi-

Palestinians demonstrators fly the flag in Jerusalem. Israeli reaction to the recent peace accord will be tested in local elections today. Page 4

Talks mark end of four-year ban on high-level military contacts

nate the bilateral relationship. "We are now embarked on a policy of re-engaging," a US official said. "We are no longer denying ourselves the possibility of talking to the Chinese at the

level necessary." The hope is that a broader dialogue would make it easier for the US to explain where it found Chinese policies to be objectionacceptable to China.

However, US officials are in no

progress is not seen.

Mr Warren Christopher, secretary of state, told businessmen recently: "I don't believe we can sustain the position for MFN for some improvement in the human rights field by the Chinese, as well as reform in connection with trade practices and progress in the non-proliferation front."

He made clear that Washington wanted changes soon rather than at the last minute before Mr Clinton's decision next year.

China dismisses US linkage of of the cold war and has called for greater US-China contacts.

China's economy, Page 19

# UK chancellor wins agreement on spending cuts

By James Blitz, Political Staff,

MR KENNETH CLARKE, the British chancellor of the exchequer, won a victory yesterday in the run-up to his first budget on November 30 by persuading fal-low cabinet ministers in Mr John Major's government to cut departmental spending and freeze public expenditure for next

In an unexpected announcement, a spokesman for the prime minister's office said ministers had concluded nearly all the details of this year's departmental spending round in a series of meetings with Treasury officials in recent days.

the spending totals agreed for each department will come in Mr Clarke's unified budget, which will also deal with revenue pro-

The success in freezing expenditure at present levels will please right-wingers in the ruling Conservaitve party by reducing the pressure to increase revenues through tax increases.

However, members of Parliament assumed that there would still be cuts in defence spending. the most contentious area in the public-spending round, although those would not now be as large as military chiefs had first

Officials at the prime minis-

firmed that the proposed spending total of £253.6bn (\$383bn) for next year had been met. A spe-cial session of the cabinet due to discuss public spending today has been cancelled. The final details of the spending plan will be finalised on Thursday at a which should avoid the tough

debate that had been expected. "There has been sufficient progress to ensure that decisions about spending programme totals can be taken at cabinet on Thursday in the normal way," the Downing Street spokesman said, adding: "We are nearly there." The biggest source of tension

next three years.

three years, but Mr Malcolm Rifkind, the defence secretary, warned last week that any ture followed a meeting between

The formal announcement of ter's official residence in Down- in recent weeks has been the attempt to make more than token he spending totals agreed for ing Street and the Treasury con- level of defence spending for the cuts in the £23bn defence budget ened to cut defence spending by about £1bn in each of the next three years, but Mr Melech 221 risked provoking a full defence cuts in defence spending. The agreement on defence expendi-

Free Economist Survey.

chiefs last Wednesday, Some still insisting yesterday that they would revolt against any cuts in defence spending which

Continued on Page 20

# Japanese contractor seeks protection with \$5bn debts

By William Dawkins in Tokyo

MURAMOTO Construction, a little-known contractor, became Japan's biggest financial failure for more than 45 years yesterday when it filed for protection from its creditors, unable to pay debts of Y590bn (\$5.57bn).

This is by far the biggest single potential loss facing Japan's banking system since the collapse in asset prices started two years ago, sending the economy Of the 50 banks exposed to the

group, the leading creditor is Nanto Bank, the main regional bank in Nara prefecture, western Japan, where Muramoto, the country's 24th-largest general construction group, is based. It has Y56bn of loans to Muramoto. which compares with the bank's Y3.000bn deposit base.

Nanto is followed by Daiwa Bank, which has led creditors' negotiations with the company, with loans of Y45bn; Long Term Credit Bank of Japan, with erry companies, they suffered in Y38bn; and Dai-Ichi Kangyo the prolonged decline in property Bank, with Y28bn. Muramoto's collapse would

creditor banks, but they can absorb the loss between them, a senior official of the Bank of Japan, the central bank, said. Creditors had secured collateral for their loans, and had approved the move in advance, a finance ministry official added.

However, the move may increase Japanese banks' caution at a time when lending is already sluggish, one of the factors contributing to the recession.

Until yesterday, Japan's largest corporate collapse since 1945 was that of Sanko Steamship, which filed for bankruptcy in 1985 with debts of Y520bn. Tetkoku Databank, the private credit research agency, attributed

Muramoto's collapse to the fail-

ures of property companies with

developments. Like other prop-CONTENTS

int. Companies \_\_\_\_2024-26 Markets

which it had undertaken joint

Equity Options ...

Money Markets ....

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Muramoto, an unlisted comcause "adverse effects" for its pany capitalised at Y2.4bn and with sales of Y291.5bn last year, specialises in public works projects, but it diversified into golf course construction and property development in the late 1980s. Its difficulties are thought to have started with the collapse of a property company that had ordered a golf course from the construction group. One of its property development partners,

Daito, then went bankrupt. Muramoto yesterday found it was unable to pay its bills after the majority of its creditors had rejected a rescue plan put together by Nanto Bank and Daiwa Bank. It filed for protection under Japan's corporate reorganisation act.

Background, Page 21 Shareholders may be paid in goods, Page 20

Wall Street ....

Slovak Republic \_\_\_\_\_9-12 Corporate Treasury

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# Italy moves nearer state steel sell-off

ITALY's state steel company Ilva has decided to split its activities into three, marking an important step in the state's withdrawal from loss-making

steel production.
One hational company will be for a l round flat prodwill be for I round flat prod-ucts produce at Taranto's integrated complex and at Novi Liguri, Genoa. A second will concentrate on stainless steels at Terni in Umbria.

Iri, the state holding that controls Ilva, intends these two operational companies to be privatised. A third company will include all those assets and activities which it intends to liquidate. Mr Romano Prodi, the head

of Iri, first unveiled plans to split up Ilva in July in an attempt to break the deadlock between Italy and the European Commission over state subsidies to the industry and to remove the financial burden of Ilva's L7.580bn (£3.15bn) debts. However, the idea came later of forming a special com-pany to liquidate unsaleable assets - and it is assumed that that company will take on

**NEWS IN BRIEF** 

Patrick Blum in Vienna.

Austrian airline

strike talks fail

NEGOTIATIONS failed yesterday to end a strike by pilots and

cabin staff at Austrian Airlines that has grounded the loss-mak-

ing national carrier for the past four days amid recriminations

between unions representing flight and ground personnel, writes

Mr Christian Schmid, leader of the ground staff, denounced as

senseless the strike called after management announced plans to

cut 500 jobs next year from the 4,500-strong workforce. On Sun-

day, Mr Albin Schwarz, leader of the 1,200 striking flight staff,

called for a new management, guarantees of the airline's indepen-

dence in any future co-operation agreement with other airlines,

and for a decisive say for unions in decisions affecting personnel. The airline is expected to make a loss of Sch830m (\$70m) this year following losses of Sch525m in 1992.

A pyramid investment company which launched a money-spinning craze in Romania said yesterday it had suspended payments

to investors for two days because of "organisational problems"

but denied reports it was about to collapse, Reuter reports from

Bucharest. The Caritas company described as unfounded a wave

of local press stories saying the money chain was losing momen-

It was the second time in a month that Caritas has interrupted

payments for several days. More than 4m Romanians have bil-lions of lei tied up in the scheme, which works like a chain-letter

game and promises depositors a return of eight times their initial

Moscow's city council has banned all demonstrations by all

political parties and groups on communism's most cherished anniversary, Revolution Day, on November 7, Reuter reports. The ban was being introduced because some of the groups which had

applied to take part in Sunday's rally had been involved in the

abortive uprising against President Boris Yeltsin on October 3.

Moscow bans demonstration

'Pyramid' suspends payments

tum and that it would soon grind to a halt.

deposits after just three months.

Ilva's losses which totalled L1,700bn in 1992.

The company charged with liquidation will also handle 5.545 of the 11.500 redundancies envisaged over the next three years from Ilva's present workforce of 34,000. The job losses risk provoking serious unrest, but the government is to be asked to fund generous early retirements and back new industrial projects in the worst affected areas.

It is thought likely that Mr Havao Nakamura, the Japanese steel executive brought in this year to run Ilva, will be asked to take over the management of the flat products company. But much will depend on who decides to buy out this operation based round Taranto, Europe's biggest steel complex, with a capacity of

10m tonnes a year. This week, Mr Nakamura, who formerly worked for Nippon Steel, is accompanying Mr Prodi on a trip to Tokyo to discuss the privatisation of Iri activities with Japanese inves-

Ilva was formed in 1988 from the collapse of the previous

## Europe's big day a small affair

YESTERDAY was a strange birthday for what may be the most discussed, least read piece of paper in history. The Maastricht treaty finally came into force on a day when the Catholic half of the revital-

ised European Community was

having a day off. No champagne, no fire-works. Most citizens of the "new European Union" as they are described were oblivious to the fact that overnight their solidarity had been "deepened", the democratic and effi-cient functioning of their insti-tutions "enhanced3, and their

promoted". In Brussels, those same institutions were barely functioning. The European Commission and Council were enjoying the All Saints Day holiday. The treaty itself also appeared to be on holiday.

economic and social progress

There was some confusion over copies at London's HMSO Books, source for UK government publications - "there's one done by the EC, which would be for Europe and Britain generally, and the gov-ernment itself has done one that relates to Britain" before the Commission's version was tracked down (£18 for the full version, including the 1957 Treaty of Rome, £6 for the Maastricht amendments on

As for the specific rights of the EU citizen, some may find them rather disappointing.

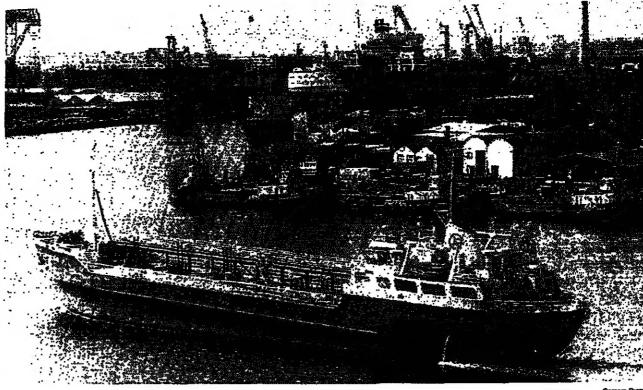
Expatriate EU citizens get the privilege of being able to vote in or stand for elections to their local municipalities or the European parliament in the place where they live, but as there are only 5m expatri-ates in the whole Union that may not amount to much of a democratic breakthrough.

Mr Leu Lewis, electoral services manager at Lambeth Borough Council, was certainly not expecting a flood of requests from disenfranchised Portuguese wishing to represent south London at Strasbourg. "You're the first to call about it." he said yesterday. Not satisfied? The Maas-

tricht treaty tells you how you can complain about this newfangled Community and its institutions. You can petition the European parliament directly or - in particularly bad cases - complain to an ombudsman, appointed by the parliament.

Alas, the ombudsman could not be contacted yesterday. He, or she, has not yet been

appointed. As for the town of Masstricht itself, it was possibly the only place to allow itself a modest celebration. Now that it is no longer synonymous with particularly nasty disputes between Euro-enthusiasts and Euro-scentics it is thinking of subtitling itself "treaty town".



# Reconstructing bankrupt east Germany: a tale of two cities

Judy Dempsey talks to the mayors of Halle and Rostock

EW yearn for the days when east-ern Germany was communist-ruled. But many remember how the capi-tal, East Berlin, selected the party bosses who ran the main cities.

There were several key cities to which the aspiring party apparatchik sought promotion. One was Rostock, on the Baltic Sea, another Halle, deep in the heartland of "middle Germany".

Each with a population of 300,000, they were important political and economic sinecures of the old regime. Resources were pumped into Rostock, aimed at making it the most important port in eastern Germany and showing it could compete with the western shipbuilding centres of Hamburg and Bremen.

Red Halle, as it was known, also had funds directed its way to shore up heavy industry. But the infrastructure, including water, sewerage, housing and heating, was

Over-fulfilling the Five Year Plan in machine tool production took precedence over everything else.
Three years after unification, the may-

ors of both cities are struggling to rebuild an entire social, economic and local government infrastructure from scratch. They also have to cope with unemployment rates of more than 40 per cent.

No wonder Mr Klaus Rauen, mayor of Halle, Saxony-Anhalt, sees his job as a mission. As a "Wessi", or westerner, he believes he can contribute to unification by passing on his experience as former

"It has been rewarding and frustrating. I work about 15 hours a day. I don't know for how much longer I can continue this life-style," he says in his office in the centre of Halle.

Mr Klaus Kiliman, his counterpart in Rostock, Mecklenburg-Vorpommern, is an "Ossi", or easterner. He had never dabbled in politics before unification. He is a theoretical physicist. "I thought I had something to contribute after the Wende [the change]. It has been hard. I often think about returning to my physics," he says.

Weak, coalition-led councils, suffering from inexperience and internal bickering, have hindered the consolidation of local government structures in both cities. Moral and financial bankruptcy have played their part as well.

"The people of the former east Germany still feel disoriented, and ashamed because they feel they were in a system which has lost all respect," says Mr Rauen. He wants to restore the inner city as a means of generating self-confidence, pride and a sense of the pre-communist era. The problem is money.

Halle is also virtually bankrupt. It has a current expenditure budget of DM1bn (£400m) and an investment budget of DM300m. However, the collapse of the region's uncompetitive industry means that the city's share of company tax revenue is less than DM65m a year. Personnel costs, including administration wages, kindergartens and other employee services, account for 53 per cent of expenditure. To finance the deficit, the city has borrowed DM100m from banks and in the bond mar-

Rostock has a budget of DM700m and a deficit of DMS1m. The council's personnel costs account for 55 per cent of the budget - the average in western Germany is 35 per cent. Mr Kiliman has raised DM81m in the bond markets or through bank credits

to finance his city's deficit. Both mayors are legally obliged to reduce personnel costs. Halle has already cut staff from 13,000 in 1991 to 6,000. Mr Rauen intends to reduce it to 4,000. He has until the end of the year to dismiss staff. After that, each council employee will

have tenure. Mr Kiliman, a Social Democrat who heads a weak coalition government of Christian Democrats and Social Democrats, says he also is committed to cutting his staff to 4,000, a third of the 1990 level. But the local parliament is opposing it. Cuts mean closing down kindergartens

and other employee services.

Neither Mr Rauen, a Christian Democrat, nor Mr Kiltman needs any persuad-

cient city council. In 1992, the eastern Lander, or states, employed 304 civil servants for each 10,000 inhabitants - 30 per cent more than western Germany. The eastern local councils employed 427 civil servants for each 10,000 - twice the western level. According to the German Federation of Taxpayers, "eastern German administration has about 440,000 employees more than can be justified".

Yet some see a positive side to the dire state of the cities' finances. A shortfall of revenue could speed up the privatisation of local services, almost taboo in western

"If we do not have a mixture of public and the private investment, we will not be able to overcome our [financial] problems," says Mr Rauen.

Privatisation of water services in Rostock and electricity in Halle, both of which were difficult to push through, revealed the unstable and paradoxical nature of eastern Germany's political alliances. In Rostock, the Social Democratic SPD voted for privatisation, and the Christian Democrat CDU opposed it. In Halla: the SPD and. the refashioned communist PDS tried to

r Tjark Woydt, head of Deutsche Bank in Rostock, explains how L unification has thrown unexpected alliances. "Three years ago, politics in eastern Germany was like a casino game, with everyone vying for a place in the new order," he says. "Today, officials are slowly trying to

make up their minds about where they stand politically. It's taking time. People still don't know where they stand ideologically. They don't know parties stand for."

Neither Mr Rauen nor Mr Kiliman has decided whether to remain on the eastern German political scene long enough to see the emergence of stable political structures. "It's an uphill struggle," says Mr Rauen. "But both westerners and easterners have to make it together.

### Tide of ethnic Germans recedes

THE number of ethnic Germans seeking to live in Germany has fallen sharply in the past 10 months, with the former Soviet Union accounting for the greatest reduction, the Interior Ministry announced yesterday.

Mr Horst Waffenschmidt

state secretary, said 187,658 lers, from the former Soviet Union, had applied to move to Germany, nearly 100,000 fewer than in the same period last year. More than 158,815, particularly from the Omsk and Volga regions, and Saint Petersburg, have arrived in the country since January.

Applicants from eastern Europe are also falling, partly because the ethnic German community has dwindled over the past 10 years, but also pos-sibly because of the economic climate and growing unemployment in Germany. The number of ethnic Germans from Poland fell to 9,100 from 25,045, and from Romania to 5,643 from 12,922. In all, 168,653 ethnic Germans have settled in

Germany since January.

The German authorities have tried to restrict the number of ethnic Germans, who have an automatic right to citizenship, by promoting Germanlanguage schools, newspapers and cultural centres where they live. But Mr Waffen-schmidt said yesterday they would only remain in their region if they had incentive to

· German prosecutors vester day began investigating an assault by right-wing extremists on US athletes at the weekend, Renter reports from Berlin. Authorities in Oberhof said about 15 skinheads shouted racist insults at two US athletes, both of whom were black. A team-mate who came to their sid was besten.

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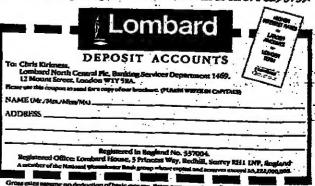
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NORWAY is considering reducing tax concessions to oil companies that retain high levels of debt, in an effort to stabilise government revenues from the North Sea. .

The measure would seek to offset revenue losses suffered after special tax concessions were introduced last year, Mr Arne Oeien, permanent finance ministry secretary, said yesterday.

The new rules had led to higher dividend payments and profit repatriations, Mr Oeien told a petroleum tax conference in Oslo.

The measure being considered would affect both domes-

tic and foreign oil companies operating in the North Sea. "We are currently consider-ing different measures to avoid substantial revenue losses as a consequence of the increase in dividend payments and profit repatriations after the introduction of the new (petroleum) tax and accounting rules in 1992," Mr Oeien said.

Last year Norway introduced important tax reforms in the energy sector in which it sub-stantially increased the

rate, and abolished a production allowance, together with petroleum royalty payments on.

Mr Oelen said that as a result of these changes the reserve fund requirements and dividend taxation rules were no longer effective in terms of binding capital in the Norwegian petroleum tax jurisdic-

Mr Oeien said Norway actively uses income tax to ensure the state a larger share of total (petroleum) revenue when the oil price increases, and to avoid a serious worsening of the the working climate for the oil companies in times of lower pre-tax incomes.

Options being considered were an increase in the so-called special income tax and changing the regulations so that companies would be discouraged from maintaining high debt levels as a way of increasing tax allowances.

Norway's current account surplus jumped to Kr15.37bn (£1.4bn) in January-August from Kr10.63bn in the same period a year ago, the Central Bureau of Statistics said, Reuter reports from Oslo.

# Norway may Danish bank rescue cut oilfield backfires on minister

DENMARK'S Social Democratic-led coalition government, which promised a "decade of decency" when it came into office in January, has become embroiled in a controversy over a banking rescue operation.

The opposition is calling for

the resignation of Mr Ole Sta-vad, minister for taxation, for allegedly misleading the Folk-eting, or parliament, over his part in a rescue action in August for a bank in Mr Stavad's North Jutland constitu-

Mr Poul Nyrup Rasmussen, the prime minister, whose government has only a one-vote majority, was forced at the weekend to give in to demands both from the opposition and from within the ranks of the coalition parties for an "impar-tial investigation" into the

Mr Stavad's troubles began when the government negoti-ated a deal with a North Jutland savings bank, Sparekas-sen Nordjylland (Spar Nord) to keen onen the offices of a small local bank, Himmerlandsbanken, in the town of Hobro, which had collapsed with debts

of around DKr400m (£40.2m). According to Spar Nord's managing director, Mr Jorgen Giversen, the savings bank obtained a "crystal-clear" agreement that, as the price of taking on Himmerlandsbanken's operations, the savings bank would be allowed to make a tax-loss deduction of DKr173m

However, when opposition politicians looked at the deal, they concluded that the offer of a tax-loss deduction was illegal. A tax-loss deduction is legal only if a company takes over another company in its entirety, but Spar Nord took over only part of Himmerlandsbanken, which was subsequently declared bankrupt.

Confronted with this argument, Mr Stavad said the government had never promised the savines bank a tax deduction, only that it could make normal loan-loss provisions for DKr173m In that case, retorted Spar

Nord's Mr Giversen, the gov-

ernment misled the savings bank's shareholders. He published a fax from the Customs and Excise Board, sent to him at 4 am on Monday August 23, after a weekend of negotiations with the governfirm his version of events. "We told the government during the negotiations that the alternative to a tax-loss deduction of this order was payment of about DKr53m in cool cash to make up the difference; between the assets and liabilities we were taking on," he

Mrs Kirsten Jacobsen, of the right-wing Progress party, who has spearheaded the attack on Mr Stavad, claims that the minister has repeatedly misled the Folketing and its committees in his attempts to escape

The opposition parties yes-terday accepted the government's proposal for an impartial investigation, which for the moment takes the pressure off Mr Stavad Mr Rasmussen's government

took office when the prime minister for over 10 years, the Conservative party's leader, Mr Poul Schlüter, resigned following a judicial inquiry

The inquiry's highly contro-versial report found that he had misled the Folketing when reporting to it on the so-called Tamil scandal, in which his minister of justice illegally denied Tamil refugees the right to bring their families to



UN peace envoy Thorvald Stoltenberg (right) speaking to aid truck drivers in Belgrade yesterday

### Appeal over new Bosnia atrocities

THE international Red Cross yesterday warned of mass expulsions in central Bosnia amid allegations that civilians were being summarily executed, writes Laura Silber in Belgrade,

The ICRC denounced the "blatant violation" of international humanitarian law around Vares, a Croat-held town in central Bosnia, appealing to the mostly Moslem government army and Bosnian Croat forces to stop the "harassment" of civilians. "Thousands of civilians have been forced to flee from their homes . . . they are fleeing looting, death threats, mistreatment and are desperately

searching for protection," the Geneva-based organisation said. The Bosnian army is fighting against Croat forces for land near Vares. The town straddles one of the main aid router

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linking Sarajevo to Tuzla. in Belgrade yesterday, Mr Thorvald Stolten-berg. UN peace envoy, protested against the detention of the crew of two Sea King choppers, who had been delivering relief supplies to Srebrenica, the Moslem enclave in eastern Bosnia. The incident comes after Serb forces flouting control of part of the Moslem enclave

# Kurd rebellion spoils Turkey's 70th birthday

THERE was an air of unreality last weekend as Turkey celebrated its 70th year as a republic. As television oniz shows hosted young soldiers in full battle dress, the evening news carried footage of conscripts being air-freighted in coffins draped in the red Turkish flag. The worsening rebellion in Turkey's Kurdish-speaking region is putting intense strain on the conservative-led coalition of Mrs Tansu Ciller, raising questions about its

Last week, hardliners from Mrs Ciller's True Path party were promoted to key defence and interior ministries, apparently without the junior partner Social Democratic Populists being informed.

As both parties now set their sights on the nationwide municipal elections next March, and as they appeal to their traditional constituencies, the cosy cohabitation of the coalition looks shaky. If the coalition breaks up, as

Turkish newspapers were already predicting at the weekend, western diplomats believe enn, western upportant senever Mrs Ciller could win support as a minority government. Should the her party emerge strongly from the March polls, Mrs Ciller might then be tempted to call early general elections,

The logic for both parties is that the present policy stale-mate could damage their elec-toral chances. Since they swept. the municipalities in the last local elections in 1989, the Social Democrats' standing has been hurt by a corruption scandal in the municipality of Istanbul, which it runs, and the failure to unite with other left-of-centre parties.

When the coalition was formed following the election in October 1991, there was a

Three Turkish officials will go to Damascus this week to urge Syria to curb the activities of guerrillas battling for a sepa-rate Kurdish state in Turkey, Reuter reports from Ankara.

Turkey has long urged Syria to help prevent cress-border infiltration by Eurdistan Workers party (PEE) rebels fighting a secessionist struggle

Prime Minister Tansu Ciller, last week accused Syria, Iraq, Iran and Armenia of allowing the PKK to use their territory lomatic efforts to persuade them to desist. Syria says it regards the PKK as an illegal organisation and arrests its members when it finds them.

popular expectation that the need to find common cause would force both parties to moderate their traditional positions - the True Path party forced to take on a more reformist Kurdish policy, and the Social Democrats to adopt a more pro-business and eco-

But Mrs Ciller has paid only ip service to the need for a national policy on the Kurds, while ceding more powers to the military in the prosecution of what one of her ministers last week publicly conceded was now a full-scale war. With the bloodshed escalating more than 2,000 people have been killed this year alone last week's cabinet reshuffle reflected her party's concern that the military may use the current crisis to impose man-

tial law in the region. Equally, Mrs Ciller's economic reforms have been ham-pered by what one senior western diplomat called "bureaucratic inertia" of the Social Democrats. Her efforts to legislate by decree have now been overruled by the constituTHE TROPHIES. BUT HAMILTON AND NICHOLSON REALLY CLEANED UP.

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# Corruption probe jeopardises Kenya aid

investigating financial mismanagement and allegations of corruption involving more than \$125m (£82.7m) at the state-owned Kenya Post and Telecommunications Company.

Further irregularities have been revealed by a former manager of KPTC, now living abroad, who told the Financial Times that an inventory check last year on stock worth \$250m on paper produced "huge dis-

some of the funds were chan-nelled to a group of local banks which lent the money on to government officials or supporters of the ruling Kanu party.
These banks are already

under investigation by the government, acting with the encouragement of donors.

Negotiations for a new International Monetary Fund agreement and plans for a donor conference in Paris this month could be jeopardised unless the government of President Dan-iel arap Moi takes urgent steps

ya's largest state-owned com-panies. Without the IMF icy, donors are unlikely to resume financial aid frozen since November 1991. And without the renewal of aid, Kenya faces a balance of payments crisis. It is \$700m in arrears to its foreign creditors. Donors are seeking an explanation of KPTC's failure to remit to the Treasury the 18 per cent value added tax it charges on telephone bills. The information is disclosed in an auditor general's report which

also reveals that the company

The report shows that KPTC has accumulated arrears on its own foreign debt, on its contri-butions to the National Social Security Fund, and on a spe cial telecommunications tax. The monies owed are said by western officials to total more than \$125m, an amount equiva-

lent to about half the company's annual turnover. KPTC deposited hundreds of millions of shillings in scandaltainted domestic banks. According to a western official investigating the KPTC management, these funds were on-lent to government supporters. Although four of these banks were closed earlier this year, auditors are still trying to trace the deposits of KPTC and the company engine fund held the company pension fund held at another, Transnational Bank The bank has femded off closure by promising to inject fresh capital to cover bad loans, but one of Transnational Bank's main shareholders, Mr Jared Kagwana, has fled the country after being questioned by police over alleged embez-

has also accused company executives of faking the theft of millions of dollars of equip-ment so that it could be resold to KPTC for instant self-enrich

Mr Stanley Bell, KPTC's chief general manager until October 1992, says he was fired for refusing to authorise a spare parts. According to him, thefts of stocks were being reported to justify the pur-chase of the same goods. He ordered an inventory

check and encountered "huge

### Donor officials believe that to overhaul KPTC, one of Ken-Australia to let Tiananmen exiles stay

By Nikki Tait in Sydney

AUSTRALIA is to allow about 19,000 Chinese citizens, who were living in Australia at the time of the Tiananmen Square massacre, to apply for permanent residence, the federal government announced yesterday. They had previously been granted only temporary resi-

Yesterday, announcing a number of changes in Austra-lian immigration policy. Sena-tor Nick Bolkus, the immigration minister, said Chinese nationals who were in the country at the time of the 1989 upheavals, and families who had joined them subsequently, would be granted permanent residence provided they met certain health and character

He estimated that about 28,000 Chinese could become permanent residents under the scheme. "We will basically give formal legal recognition to (their) status here by this decision," Mr Bolkus told a press conference in Canberra.

He said the treatment of these individuals would be outside the "normal" migration programme, but the cost to the country would be limited. "Those people are here, they're

BETTER than expected trade

figures for September yester-

day gave new heart to the Aus-

tralian stock market and dol-lar, as investors concluded that

the country is moving out of

recession with a fairly strong

The balance of payments def-

icit in September was A\$1.14bn

(£533m) on a seasonally

adjusted basis. This compared with a deficit of A\$1.3bn in

August, and was below most

market forecasts, which ranged

between A\$1.2bn and A\$1.5bn.

On the trade front, Australia

enjoyed a surplus in Septem-

ber, with exports up 9 per cent

to \$5.64bn, while imports rose

only four per cent, at A\$5.53bn.

This left a A\$110m positive bal-

ance on merchandise trade,

compared with a A\$151m defi-

The news caused the Austra-

lian dollar, badly buffeted in

the recent stalled passage of

the budget, to close almost one

US cent higher, at 67.29 cents

after touching 67.35 cents. On

the stock market, shares also

railied strongly, with the all-or-dinaries index closing 20.2

Some analysts, however, cau-

points higher at 2,130.4.

cit in August.

export performance.

working here, they have very low dependence on social secu-

"The cost of them coming

into the community, the fur-ther integration of them, is minimal, if anything at all." Meanwhile, asylum-seekers who arrive in Australia before applying for refugee status will also be entitled to permanent residence rather than the temporary residence they are now offered if their applications are successful, the government announced. Since 1990, people granted refugee status after they arrived in Australia, such as the Cambodian boat people.

And a third new measure, also announced yesterday, will create a new onshore permanent residence category for Chinese nationals who arrived in Australia after Tiananmen, and for Sri Lankans and nationals of the former Yugoslavia who live in Australia under special humanitarian concessions. To be eligible for this category, applicants must satisfy certain age, educational and visa conditions.

have been given only tempo-

rary residence permits.

Immigration to Australia dropped sharply last year, from 107,391 in 1991-92 to 76,330 in

tioned that the trade figures

had been boosted by exception-

ally strong exports of gold, and

that the previous weaknesses

in the Australian dollar had

aided exporters' performance generally. Gold exports in Sep-

tember jumped 87 per cent.
"There are still some

grounds for pessimism about the immediate future of the

current acccount," warned Mr

Chris Caton, chief economist at

Bankers Trust Australia. "The rest of the world remains quite weak, and we may not have yet seen all the valuation

effects on imports of the lower

Industrial unrest looms

again on Australia's notori-

ously difficult waterfront after

a breakdown in talks between

Australian Stevedores and the

Maritime Union of Australia

over forced redundancies.
Australian Stevedores

announced plans to shed 317

workers several months ago.

This led to a brief national

national secretary of the MUA,

claimed the company had

renewed attempts to sack

employees, despite agreement

by some 231 workers to take

Yesterday Mr John Coombs,

strike in September.

voluntary redundancy.

Australian dollar."

Trade figures for

September boost

markets, dollar



Jewish settlers from the occupied West Bank block a main road with blazing tyres yesterday to prevent Palestinians from reaching their workplaces. The settlers began demonstrating on Friday following the stabbing of a fellow settler by militant Palestinians

# Israeli poll is test for peace drive

to vote for new municipal authorities in the first test of nationwide public political sentiment since the signing of the historic Israeli-Palestinian peace accord. Although the 3,3m regis-

tered voters will be influenced by a range of issues from education to rubbish collection, political analysts say the poll will also indicate national feeling about the unfolding peace process. Mr Yitzhak Rabin, prime minister, has said he views the elections as a vote of confidence by the public in his

The two greatest electoral battles, and the ones which

By Mark Nicholson in Cairo

KUWAIT is considering

unprecedented moves to trim a

KD1.5bn (£3.3bn) budget deficit

for the current year, including charging fees for public ser-

vices, allowing foreign partici-pation in upstream oil

operations and possibly levy-

Mr Nasser al-Rodhan.

Kuwait's finance minister, told the local Al-Seysaseh newspa-per that the "decision is

approved" to charge for some services, though he did not

specify which, or when fees

would begin. Kuwaitis enjoy

considerable subsidies on

power, water and local tele-

Mr Al-Rodhan said the fees

ing taxes on its citizens.

are most likely to provide a political weather vane, are in Jerusalem and Tel Aviv.

In Jerusalem Mayor Teddy Kollek, an 83-year-old veteran of Mr Rabin's Labour party, has been fighting a tough race to keep control of the Holy City against competition from Mr Ehud Olmert, a member of parliament from the rightwing Likud party.

Opinion polls show the two neck and neck after a campaign marked by personal attacks and questions about whether Mr Kollek is fit enough to stand another term of office.

Jerusalemites, who live on the fault-line of the Israeli-Palestinian conflict, are deeply concerned about security

would be introduced only after

consultation with the Gulf

state's parliament, which

reconvened last week, and that

low-income Kuwaitis would be

allowing foreign oil companies

to participate with the state

Kuwait Oil Company in dril-

ling and exploration was "under study", adding: "The motives behind such decisions

Kuwait has since the Gulf

war entered joint contracts

with BP for technical support

and Union Carbide for con-

struction of a petrochemicals

plant. But upstream activities

have been kept in state hands

since Kuwait became the first

The minister also said that

**Kuwait ponders radical action** 

massive Jewish settlements nearby and the future status of the city.

Both candidates in Jerusalem agree on the unity of the Jewish West with the Arab East of the city and both back Jewish development of East Jerusalem.

But Mr Olmert favours a much more aggressive settlement policy, with Jews moving into neighbourhoods reserved under Mr Kollek's administration for Arabs.

Palestinians say a victory by Mr Olmert would exacerbate Arab-Jewish tensions in the city and make a compromise on its final status - such as joint or international administration - much more difficult.

oil production industry in 1975.

said talks between KOC and

some oil groups had already

begun on possible opportuni-

ties, which Mr al-Rodhan said

would offer Kuwait both fresh

foreign expertise and, more

more than ever to trim out-

goings in the face of a budget deficit of KD1.49bn - including

statutory expropriations for

the Reserve Fund for Future

Generations - and under the

close eye of the country's

increasingly economically

sophisticated parliament. The

true deficit in Kuwait's public

finances is almost certainly

bigger than the published fig-

The government is doing

particularly, foreign capital,

Diplomats in Kuwait City

Palestinians living in occupied East Jerusalem are divided about whether to vote in the poll, even if to do so would ensure victory for Mr Kollek.

In Tel Aviv, usually a more liberal and secular city than Jerusalem, Mr Ronni Milo, a former Likud police minister. is fighting Mr Avigdor Kahalani, a war hero from the Labour party, to succeed Mr Shlomo "Chich" Lahat, the

long-time mayor. Defeat for Labour in both cities could be a serious setback to the peace process and bolster the right-wing opposition, which has seemed increasingly divided and marginalised by Mr Rabin's

Kuwait's military spending or

Mr al-Rodhan said that

"until now and with our finan-

cial resources we can cope

with the demands", but added:

stage will make it necessary

for us to start thinking seri-

low leaks in Kuwaiti papers of an International Monetary

Fund report, handed to the

government in late August,

which recommended cuts in

subsidies, shrinkage of the public sector and other reve-

nue-raising measures, includ-

Economists in Kuwait

reckon that service fees could

ing limited privatisation.

Mr al-Rodhan's remarks fol-

ously of taxation."

"The situation in the next

foreign debt repayments.

# Japanese new car sales show steep decline

THE SEVERITY of the downturn in Japan's car mar-ket was underlined yesterday by registration figures for October which showed that sales of new cars were down 11.3 per cent on October last

The figures, from the Japan Automobile Dealers Associa-

tion, represent the seventh consecutive monthly decline in new car sales, and a 15.5 per cent fall from September. Vehicle sales in October amounted to 374.237 units, while car sales were nearly 10 per cent down to 253,516 units.

The gloomy figures, which came despite the opening of the biennial Tokyo Motor Show last month and the recent launch of several new models by Japanese manufacturers, reinforced growing concerns in the country's motor industry about the timing of a possible upturn.

Nissan Motor, which on Friday announced a pre-tax loss of Y28.9bn (£180.6m), over double its loss in the previous first half, said it was becoming extremely difficult to keep to its goal of breaking even this fiscal year and returning to profit in fiscal 1994. While the company was still pinning its hopes on stronger demand during the winter bonus season, the growing pos-sibility that Japanese employees would receive lower

bonuses this year casts a cloud over that scenario. "The recovery may not come until next year," Nissan conceded. Honda which saw its sales in October, excluding imports from the US, drop 28.4 per cent, said it was becoming very difficult to read the market.

Other Japanese carmakers are expected to confirm the dif-ficult trading environment when they announce figures for the six months to September in the weeks ahead. Meanwhile the rise of the ven is leading one Japanese carmaker after another to raise

prices in the US market, a trend which many of them fear could result in a loss of market Mazda became the lates company to announce a price rise, of 2 per cent, yesterday,

following a 4 per cent increase

Alliance drawn into peace talks

SOUTH AFRICA'S right-wing multi-party negotiators. The Freedom Alliance yesterday agreed to meet the government to try to hammer out a lastminute compromise on a new constitution, while the ultraleft Pan Africanist Congress took a further step toward renouncing violence, writes Patti Waldmeir in Johannesburg.

The government and the Freedom Alliance, which includes the mainly Zulu Inkatha Freedom party and white supremacist groups, will meet for two days from today at a secret bush venue. The government will make a last-ditch effort to persuade the

deadline for multi-party adoption of the constitution was pushed back to November 12. The government is also pressing the PAC, which has participated in multi-party constitutional talks, to end its violent struggle against apartheid. The two sides met yesterday in the Zimbabwean capital, Harare, and issued a communi qué calling for a moratorium on violence but stopping short of agreeing the government's demand that the PAC halt its guerrills war. The Azznian People's Liberation Army, the PAC's military wing, has claimed responsibility for

# Hyundai founder guilty of fraud

MR CHUNG JU-YUNG, the founder of South Korea's Hyunda business group, yesterday received a three-year suspended prison sentence for illegal campaign practices during his failed presiden-tial bid last year, writes John Burton in Seoul.

Mr Chung, now honorary chairman of Hyundai, was convicted of emberzling \$64m (£43m) from Hyundai Heavy Industries (HHI), the group's shipbuilding unit, to finance his presidential cam-paign. He was also found guilty of forcing Hyundai employees to work on the campaign.

Mr Chung said the money from HHI was from the sale of his shares in the company and was not corporate funds as alleged by



Mr Chung leaving court yesterday after receiving a suspended sentence over illegal election funding

the government. Hyundai employees who campaigned for him did so as volunteers. The Secul district criminal court said it would not imprison Mr Chung because of his advanced age - he is 78 - and his contribution to the nation's economic development as

head of Korea's biggest conglomerate.

The allegations about Mr Chung's use of illegal campaign funds surfaced in the closing days of last December's presidential election and played a crucial role in his poor third-place finish behind the victor, Mr Kim Young sam. Mr Chung's United People's party subsequently virtually collapsed.

# Turkmenistan leads new rouble refugees

istan yesterday introduced its own currency, the manat, launching it at a value of 50 US cents and 500 Russian

Turkmenistan is the fifth of the 15 former Soviet republics to introduce a fully independent currency - and it does so as other republics prepare to leave the rouble zone, many of them complaining that the conditions set by Russia for remaining in the zone are too

strict. Estonia, Latvia and Lithuania, the three Baltic republics, each has its own currency, while the smallest central Asian state, Kyrgyzstan, introduced its unit, the som, in May. Three other republics -Azerbaijan, Georgia and Ukraine - use coupons, all of which are highly inflationary. Turkmenistan, with between

THE CENTRAL Asian 10,000bn and 15,000bn cubic republic of Turkmen-metres of natural gas and oil reserves estimated by the government at 6.3bn tonnes, has eschewed backing - though not advice - from the interna-tional Monetary Fund, relying

> Steve LeVine, Gillian Tett and John Lloyd on the launch of a new currency

than \$300m held in foreign banks to support the manat. Foreign observers in the capital. Ashgabad, expect the manat to fall to between 5 and 7 manat to the dollar when currency trading begins on Saturday. However, Mr Valery Otchersov, the deputy prime minister in charge of the econ-omy, says that "it is simply a matter of time before the currency is accepted at other currency exchanges and traded internationally". Turkmenistan, whose regime

under President Sapurmerat Niyazov has retained tight control built round a growing presidential personality cult, is presenting itself as a stable location for foreign investment. Prices for the largely state-controlled staples are to be raised and a privatisation programme - which will exclude the oil and gas sector - is also due to be launched. In spite, or because, of Mr

Niyazov's gestures - such as erecting statues and portraits of himself all around the capital and his receipt last week of a bust from Turkmen businessmen containing 1.6kg of gold most foreign diplomats and observers expect the Turkmen-

istan economy to prosper. "Russia and Turkmenistan are the only two former Soviet republics which can stand on their own," said Mr Vadim Cherepov, the Russian ambassador. A US diplomat said that "if it follows the IMF recommendations it will have the most successful currency introduction of the former Soviet

Dissatisfaction with the rou-

ble zone may force other republics to follow. Last week, President Nursultan Nazarbayey of Kazakhstan was granted powers by his parliament to introduce a national

currency after a demand by

Russia that the roubles issued

to Kazakhstan must be backed

currency reserves.
"We made all possible concessions (to Russia), but now

impossible – hand over billions of dollars," Mr Nazarbayev was quoted by the Interfax news agency as saying at the parlia-mentary session last Thursday. An agreement signed in Sep-tember between Armenia, Bela-rus. Kazakhstan, Russia, Tajikistan and Uzbekistan committed these six republics to remain in the rouble zone under the control of the Russian central bank, in spite of the publicly expressed scepti-

cism of many in the Russian cabinet. However, no new Russian roubles have yet been delivered to the other states, forcing them to use pre-1993 notes which the Russian central bank has withdrawn from circulation in Russia itself. The Moldovan government

by its reserves of gold and hard has said it is to introduce its new currency, the leu, this month - rumoured to be on

# N Korea slated over inspection

NORTH KOREA'S failure to be an integral whole, comply with international nuclear safeguards "has been North Korean delegation pubnuclear sareguards "nas been widening" and continuity of some data was already damaged, the head of the UN inspection's body said yesterday, writes Michael Littlejohns in Now York

in New York.

Dr Hans Blix, director-general of the International Atomic Energy Agency, said the longer verification was blocked the less assurance there could be that even North Korea's "declared facilities". were for peaceful uses. Reporting to the UN General Assembly, he rejected Pyongyang's attempt at piecemeal verification, saying inspection must

lished the text of a me agreeing to inspection "for the purpose of maintenance and replacement of the safeguards" replacement of the saleguarus equipment." As for routine and random inspections proposed by IAEA, these would depend on progress in talks now being held with the US and on the progress of the saleguarus of the and on the agency's own atti-tude, which currently was one of "partiality and injustice". If IARA did not repond positively to what North Korea characterises as its goodwill gesture, it must be held accountable for the conse-

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house Kidder, Peabody has agreed to keep its headquar-ters and 3,000 employees in New York city in return for \$31m in tax incentives from the municipal government, writes Patrick Harverson. The firm's decision was a

The Wall Street securities

fend off challenger

victory for the city's mayor. Mr David Dinkins, as the loss of Kidder would have been a blow to the city's shrinking tax base, its fragile morale and the mayor's re-election

reduced his popularity to near oblivion. Over the weekend Mrs Hillary Rodham Clinton told a Florio rally: "I cannot state how important this is, to stand by a governor who has not flinched."

in the governor's race in Virginia, Ms Mary Sue Terry, the Democrat, is still trailing Mr George Allen, Republican son of a famous football coach. Mr Allen has been vigorously sup-ported by the religious rightwing, though the key factor may be discontent with 12

years of Democratic rule. Changes are also expected at the helm of several large and

troubled US cities, partly brought about, as in Detroit and Atlanta, by retirement of the old generation of Democratic black urban leaders. Contests in Cleveland, Seattle and Minneapolis will be closely

So, despite its different racial composition, will be the out-come in Miami, where Mr Stephen Clark, an older white Democrat who speaks no Spanish, is favoured over a Cuban exile and an outspoken black. Mr Clark, however, is endorsed by the outgoing mayor, Mr Adolpho Suarez.

would provide education subsidies, in the form of vouchers worth about \$2,600 a head, useable at private schools.

In California, Proposition 174

In spite of the support of for-mer President Ronald Reagan and leading national and religious conservatives, it is expec-ted to lose today because of an effective campaign against it by Mr Pete Wilson, the incum-bent Republican governor, and by Mr Clinton, But a more modest version could well carry the day in the future. In Washington state, public opinion seems evenly divided on initiatives to curb spending.



### INDIANS BRING DRILLING TO HALT AT AMAZON WELL

ador site in Ecuador's Amazon forest to stop drilling last week, in a protest at planned oil exploration, writes Raymond drilling at the well in the Cuyabeno nature land.

tor came to the area for further negotiations. President Duran Ballen authorised

since been surrounded by controversy over its impact on the area's indigenous groups. The Colans are opposed to the building of an access road through their

ABOUT 50 Indians from the Cofan tribe Colitt from Quito. The Indians later reserve in September, but the work has (pictured above), armed with spears and agreed to a temporary resumption of the shotguns, forced workers at a Petroecuexploratory work if Petroecuador's direc-

# President's loose talk worries Guyana businessmen

moment, between the office of Guyana's President Cheddi Jagan and the city council of Georgetown, the capital, which is dominated by the opposition party. Mr Jagan recently referred to the councillors as "rascals". The councillors said they did not fit the dictionary's definition of the word, and

MR Rudolph Giuliani, the

Republican-Liberal candidate,

remains the slight favourite to

oust Mr David Dinkins, the

Democrat, as mayor of New

York today in the most eye-catching of dozens of elections

The latest polls put the two men on a virtual dead-heat, but this may understate support for Mr Giuliani, the former fed-

eral prosecutor. Four years ago. Mr Dinkins beat Mr Giuliani

by only 2 per cent, having

taken an apparent double digit advantage into polling day. Voter turnout among the city's minorities, especially blacks will be nigotel

In other closely watched races, Mr James Florio, Demo-

cratic governor of New Jersey, still leads Mrs Christine Todd

Whitman, the Republican chal-

lenger, though by nothing like

the 10-15 point margin he was

This race is seen as a mini-referendum on the policies of

the Clinton administration,

Both President Bill Clinton and

his wife have campaigned

actively for Mr Florio, whose

tax increases three years ago

accorded two weeks ago.

blacks, will be pivotal.

across the US.

asked for a public apology from the president. They got it. But some of Mr Jagan's public statements are leaving a more lasting and confusing impression. He has described his own administration as a "working class government guided by the ideology of the working class, which is Marxism-Leninism...and not the philosophy and

practice of capitalism". The statement created some consternation among local and foreign business, which had happily accepted Mr Jagan's undertaking to continue with the open market eco-nomic policies which he inherited a year ago when his People's Progres-

sive party won an election and ended 28 years of government by the People's National Congress.

Mr Jagan's later elaboration - to the effect that while the PPP was guided by Marxism-Leninism, the government which it had formed was not - did not temper concerns about the real direction of economic policy in the English-speaking country of 850,000 people on the

"We in Guyana understand Presi-

dent Jagan, and we do not take this statement seriously, but people out-side the country will," said Mr Hans Barrow, president of the Chamber of Commerce. "We have simply elected a leader who speaks like this."

Mr Barrow said, however, that north-east shoulder of South Amertowards moderation just before tak-

local business leaders would understand why foreign investors and potential investors would be worried, and would wait before commiting themselves when the president made such statements about ideology. He said there must be a two-way flow of business confidence. Dr Jagan, a 74-year-old dentist and once an avowed Marxist, moved

The concern among local business leaders is that, although such statements about ideology might not reflect the government's economic policy, they could derail the expansion of an economy which, by any standard, has been doing remark-

Several consecutive years of con-traction ended in 1991 with growth of 6 per cent.

According to Mr Asgar Ally, the finance minister, the growth contin-ued into the first half of this year, and he has forecast expansion of 7.8 per cent for this year. Mr Ally said this was the result of expansion in mining and agriculture. Once-billowing inflation is projected at 6 per

cent this year, helped mainly by stability of the currency following a 64 per cent depreciation which followed the floating of the currency in 1991.

Mr Ally said higher export receipts, foreign investments and funds for balance of payments support had led to an improvement of \$52.4m in net international reserves in the year ended last June.

All this has not impressed the opposition PNC, which described the government's first year as "a failure". Mr Desmond Hoyte, the opposition leader, said the economy had lost its momentum and vibrancy. "Business confidence has receded. there has been no new major investment, vital development projects ini-

tiated by my administration have been stalled, and ... there is a The former Marxist is confusing investors, reports Canute James marked paucity of disbursements from international financial institutions," he said.

"There have been 33 new private investment projects valued at \$26.1m in agriculture, mining and financial services since the government took office," argued Mr Ally.

There is continuing uncertainty, however, over the government's commitment to the programme of divestment of state enterprises inherited from Mr Hoyte's administration. It suspended the programme soon after taking office, saying it would investigate earlier deals. Mr Ally has since said the government is committed to divestment, and has listed 30 companies, including the national airline and the sugar company, which it wants to sell.

Helsinki 🚣 82 km

ESTONIA

Kāidama

LATVIA

Pāmu

## **Salinas** calls for civility in elections

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas yesterday railed on all Mexico's political parties to sign a pact of civility to ensure "transparent and exemplary" residential elections next August.

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In his annual state of the nation address, President Sali-nas promised the contenders full respect, abiding by the terms of the law, and proper conditions for them to present their options to Mexicans in full freedom".

Mexico's 1988 presidential election, which brought Mr Salinas to power, was widely held by observers to have been marred by ballot-rigging. Mr Salinas's government has

recently passed new demobeen dismissed as inadequate by the main opposition candi-date, Mr Cuauhtémoc Cárdenas, and some foreign and domestic observers.

Despite the call for an electoral pact, Mr Salinas suggested there would no more significant concessions to the opposition.

The president appeared to

rule out the possibility of foreign observers participating in the electoral process, saying "only Mexicans" would be the guardians of "our" democracy. The president announced

that Mexico's reserves rose to \$23,017bn at the end of October, from \$22.597bn. The high level of reserves seems to dispel fears that there has been an outflow of capital provoked by uncertainties over the North American Free Trade

The executive branch is due soon to send the Mexican Congress legislation that will make the central bank inde-

The legislation may be in place, and possibly the head of the bank named, before the vote on Nafta expected on November 17 in the US Con-

▶ 315 km St.Petersburg

RUSSIA

### **CONTRACTS & TENDERS**



# **ESTONIA**

International Tender for the sale of

# INDUSTRIAL ENTERPRISES

by the Estonian Privatization Agency

Enterprise number, name, location (in brackets: type of business/number of employees at June 1993)

[Capacity/tumover in EEK per year]

EE-021 RAS Seilis Vitjandi Plant EE2900 Viljandi (Fruit and vegetable preserves [5 mio pcs], cenned meat [2.5 mio pos]/100)

EE-027 RAS Balt ES EE2000 Narva
(Turbomolecular vacuum pumps, remole
gumma ray therapeutic apparatus, mechanical
manipulators, radioisotope thermoelctric generators, measuring devices, plastic parts/700)

EE-094 RAS Viru Sirup EE-2200 Kadrina, Lääne-Virumaa (Syrup (7-200 t), starch (processing of raw potatoes 30,000 tons)/49)

EE-333 RAS VON EPT EE2710 Parksepa, Vôru Maskond (Peat production (peat fields 1,261 ha), metal processing, services/134)

EE-436 RE Raasiku Elekter EE2250 Raasiku, Harju Maakond (Electrical control cabinets (3 mio EEK/89)

(Maintenance of electrical household appliances (2.2 mlo EEK)/76) EE-439 RE Tatinna Helikasselitehas Manutacturing of recorded music tapes

(5 mio pcs]/27) EE-469 RAS Harju Astaltbetooni tehas EE2270 Lagedi (Asphalt [29,000 t]/74)

EE-470 RAS Tartu Asfaltbetconi tahas (Asphalt [150,000 ()/69)

CONSTRUCTION INDUSTRY [Capacity/turnover in EEK per year]

EE-226 RAS Sille

EE-298 RAS Elamu

EE-298 HAS Elamu
EE0107 Talkin
(Pre-cast concrete, construction of panel
houses, structural metal products, warehouse
for construction materials [pre-cast parts
200.000 cbm]/489)

FE-300 RAS Narva Ehitus EE2000 Narva (Construction works (turnover 20 mio EEK//315)

EE-301 RAS East Vesienhus EE0017 Tallinn (Hydrotechnical construction (furnover 22 mio EEK)/265)

EE2020 Kohtta-Jarve (Concrete products [600,000 cbm], mineral wool [460,000 cbm], metal products, building construction, rental of machinery and equipment for construction/99)

EE-318 RAS Easti Rannaehitus EE0003 Tallin (Harbour asphalting [500,000 sqm]/48)

EE-326 RE EMET (Construction of sewage networks, civil works flaying of 100 km pipes), reming of machinery and installations for road construction/906)

EE-386 RE Siltaehitusrong nr. 423 EE0001 Tallinn\* (Construction of bridges [300-500 m], freeways and tunnels/148)

(Construction of railways [40 km], general construction/100) EE-401 VE Bark

(Pre-cast concrete products [30,000 cbm], structural metal parts, reinforced concrete parts, ready-mixed concrete and mortar/158) EE2400 Tartu (Road construction [20 km road surface, 6 km

WOOD AND WOOD PROCESSING

[Capacity (S = Sawn timber, L = Logs) per year]

EE-406 RAS Alutaguse Mesamajand EE2032 lisaku, Ida-Viru maakond (Logging and transport, wood processi

woodprocessing services [S 3,000 cbm, L 20,000 cbm]/64) EE-407 RAS Elva Metsamajend EE2442 Elva. Tartumaa (Timber trading, wood for paper production, sawn bearns, firewood, sawn timber

[S 7,000 cbm, L 20,000 cbm]/78) EE-408 RAS Hilumaa Metsamajand EE3200 KBrda (Wood trading, sawn timber, wooden construc-tion components, wooden articles, lumiture [\$ 6,000 cbm, L 20,000 cbm]/70]

EE-410 RAS Kilingi-Nomme Metsamajand EE3622 Marana, Saarde vald, Pamu Maakond (Logging and transport, sawing and planing of wood, wooden articles, wood chips [S 4,000 cbm, L 10,000 cbm]/147) EE-411 RAS Kohita-Järve Metsamajand EE2045 Kose, Ida-Virumaa Maakond

(Logging, firewood, sawn timber (S 4,000 cbm, L 8,000 cbm)/77) EE-413 RAS Mahtra Metsamajand EE3422 Hageri, Rapia Maakond (Logging, sawn timber, windows, garden cottages [\$ 6.000 cbm, L 10,000 cbm]/49)

EE-418 RAS Saaremaa Metsamaiand EE3300 Kuressaare (Sawn timber, firewood, sawdust, furniture, wooden products, transportation [5 3,500 cbm.

EE-419 RAS Soure-Jeani Metsamaiand

(Timber trading, sawing and planing of wood, wooden cottages, wooden articles, retail trading, transportation [5 8,000 cbm.

EE2910 Kõidama, Viljandimaa

L 20,000 cbm, 200 cottages/142)

EE-430 RAS Pullers
EE-0012 Tallinn
(Sawn tmber, souvenirs, shelves, wooden
cases, summer cottages, timber trading,
transportation (S 3,000 cbm, L 10,000 cbm)/49) EE-405 RAS Aegviidu Metsamajand EE2230 Aegviidu, Harju Maakond (Logging and transport, sawn timber, wooden articles (S 3,500 cbm, L 15,000 cbm)/83) EE-422 RAS Tudu Metsamajand

EE-420 RAS Puiteks

EE-245 RAS Tameks

EE0006 Talling

EE2060 Sonda, Ida-Viru Maakond (Wood processing, timber trading (\$ 3,000 cbm, L 20.000 cbm)/641 EE-423 RAS Valgamaa Meisamajend EE2500 Valga (Sawn timber, wood processing |S 4,500 cbm.

L 20.000 cbm/83) WHOLESALE / TRANSPORTATION

December 16, 1993

Closing date:

[Turnover in EEK per year]

EE-217 RAS Eesti Tekstuit EE0006 Tallinn (Textile wholesale (store 2,700 sqm, warehouse 5,000 sqm, 34 mio EEK)(70)

EE0014 Tallinn (Office equipment, eletronics wholesale (warehouse 11,000 sqm. 28 mio EEK) 60) EE-246 RAS Eesti Rôivas

shops, 33 mio EEK(190) EE-254 RAS Estjal EE0006 Tallinn (Shoes wholesale [1 rented shop, 17 mio EEK]:

esale (2 own shops, 2 rented

FF-257 RAS Linwersaal (Textiles, shoes wholesale [24 mio EEK]:58) EE-260 RAS ABT EE0014 Talkinn (Food wholesale [warehouse 30,000 sqm, 85 mio EEK]/225)

EE-269 RAS Ida-Virumaa Kaubabaas EE2020 Sompa, Kohtla-Järve (Food- and agricultural raw materials wholesale [16 mio EEK](71)

(General transportation (227 lorries, average carrying capacity 7 t, 9 mio EEK[/166]

EE-446 RAS Kopli Autobaas

EE0017 Tallinn

 In accordance with its legal mandate, Eesti Erastamsagenour (Estonian Privatization Agency "EPA"; intends to sell the atorementioned en prises by means of a tender in the following man-

Tender Conditions

**BALTIC SEA** 

a) bids for a state owned joint stock company (organized as "RAS" under Eelonian law) must be for the majority of the company; b) bids for a state owned enterprise (organized as "RE" under Estoman law) or a small sta emerginse (organized as "VE" under Estonian law) must be for its total operations: c) bids for a plant must be for its total assets (e. g.

buildings, leasehold, equipment and invento with inventory finally to be valued as of the time d) bids for assets or parts of an enterprise must be ics a separable unit of a RAS. RE. VE or plant. with inventory finally to be valued as of the time

 The tender is public and anyone may bid. Logal embes in which the State of the Republic of Estoria or its local municipatries or a municipality or state owned enterprise own one third or more of the share capital or of the voting rights may not bid.

3. In deciding among the bids, EPA will take into consideration, among other things, the bid price, promises to maintain or create jobs, pledges to nivest, and the business plan submitted, each of which will be considered part of the bid. Upon signing a contract, the successful bidder will be required to post a bond in order to guarantee these

4. Interested parties can obtain enterprise and plant profiles without charge from EPA. EPA is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from EPA to visit the enterprises or plants on the basis of which additional information will then be provided by the enterprise or plant management.

Bids must be in writing and should be submitted in the entorprise or plant for which the bid is submit

EE0105 Tallinn, Esionia, no later than 2:00 p. m. (local time), on December 16, 1993 (the "closing date") Bids will thereafter be opened immediately Bids must be denominated in Estonian Kroom (EEK) or Deutsche Mark (DM), and must remain valid for one hundred and twenty (120) days after the closing date 7. Bids must be accompanied by a bond of five (5)

percent of the bid price in the form of an irrevocable bank guarantee valid for one hundred and twenty (120) days after the closung date. The bid bond must be payable on first demand and will be tortested if the bidder ofther task to hold its bid open in accordance with its bid.

8. EPA will decide on the bids within one hundred and twenty (120) days after the closing date. Bidders may present their bid within a period set by EPA. EPA is not bound to accept any bid. EPA may accept a bid other than the highest and may reject any of the bids at any time. The render will be carried out according to applica-

ble Estonian law EPA (Estonian Privatization Agency)

Friday from 9 a.m. until 4 p.m. (local time).

Dr. H. B. Schmidt Vázno Sarnet Office hours for the EPA are Monday through

For further information (enterprise profile, data on Estonia, visit authorization) please contact:



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# Fiat gears up to boost Polish operation Azerbaijan in

Correspondent, in Krakow

FIAT, the Italian carmaker, is to expand its operations in Poland, with the local assembly of its Uno small car set to

start early next year. Initially Fiat will carry out the final assembly of the cars at its plant at Bielsko Biala in southern Poland from SKD (semi-knocked down) kits supplied from Turin.

The Italian group, which has established a dominant posi-

of FSM, the former Polish state-owned car producer, will supply fully welded and painted Uno car bodies and other important components

Production of the line is

planned to begin in January, with output likely to total around 20,000 in 1994. Fiat is also conducting a fea-sibility study into the building of a new paint plant at its out-dated Bielsko Biala factory as part of its plans to invest

new paint plant would allow the assembly capacity of the Bielsko Biala factory to be raised and would enable Uno production in Poland to move iater to more sophisticated full CKD (completely knocked down) kit assembly, in which the Uno car bodies would also be welded and painted in

Overail Fiat car production in Poland this year is expected virtually to double to around 280,000 from 144,000 in 1992,

according to Mr Paolo Marin-sek, managing director of Fiat

Fiat's takeover of FSM, which was originally agreed with the Polish authorities in May last year, was finally completed six weeks ago, when the Italian carmaker assumed full operating control in the biggest privatisation deal ever reached in Poland and one of the biggest ever undertaken in

eastern Europe. The former FSM, which has now been renamed Fiat Auto Poland, is Fiat's sole produc-

close to 60 per cent.

drop in spite of the devalua-tion. Thus in the case of Ger-

many. Italy has recorded a first

half trade surplus of L2,734bn

compared with a L3,995bn defi-

cit in the same period in 1992. A similar trend was evident

with France its second trade

partner and to a lesser extent

Italy's real exchange rate is

with the UK.

its smallest cars, the outdated 126, which is sold only in Poland, and the Cinquecento, which has been launched in the last 18 months for sale throughout Europe.

Fiat's strong local produc-tion presence had also allowed it to raise sharply its share of the Polish market for imported The Polish new car market

cars, said Mr Marinsek. was expected to total more than 200,000 this year compared with 198,000 in 1992 and Fiat expected to account

for around 55 per cent of all new car sales compared with 39 per cent last year. he said.

It expected to control around 31 per cent of all imported new cars and 65 per cent of sales of domestically produced cars. Overall Fiat production in

Poland should be running by December at 1,090 cars a day (280,000 a year) at its two plants, compared with 850 at the end of 1992 and only 350 a day in September 1991, when it began the restructuring of the FSM operations.

# Caspian Sea oilfields deal

AZERBAIJAN has agreed terms with a consortium of western oil companies to develop oilfields in the Caspian Sea, in a contract worth more than \$700.

An official for the consor-tium, led by British Petroleum, Statoil of Norway and the US companies Unocal, Pennzoll and Amoco, confirmed yesterday that an agreement in prin-ciple had been signed in Baku to develop the Azeri and Chirag fields.

The agreement was initialled by the team set up by the Azeri authorities and the consortium members. It still has to be ratified by the Azeri parliament and approved by the govern-ment, but it would appear to end months of deadlock as the Azer government of Mr Gaidar Aliyev sought to renegotiate the contract terms. It is understood the consortium will split the proceeds with the Azeri

opment and loan costs have been deducted. The larger share would go to the Azeris.

The consortium is to pay the Azeris a signature bonus of \$500m, half paid when the agreement is ratified by parliament, the rest when an export

pipeline deal is finalised.

The two fields, which are expected to be in production by 1996, comprise about 3bu barreis of known reserves. The original negotiations included a third field at Gunashli, which is already in production and operated by Socar.

the state oil company. Gunashli accounts for close to a third of Azerbaijan's current total output. The latest deal will spur negotiations about a possible export route for the oil. Turkey is urging Baku to use a pro-posed pipeline to its Mediterranean coast, avoiding conges-tion in the Bosporus if the

# Lloyd's to study **Bosporus safety**

By John Murray Brown

LLOYD'S Register of London has been commissioned by a group of western oil companies to study shipping safety in the

Lloyd's confirmed it had been commissioned by mnamed US oil concerns to present findings on environ-mental and navigational safety by mid-December as western oil companies expanding in Azerbaijan and Kazakhstan seek Turkish government support for an early decision on

The latest move is apparently aimed at assuaging find-ish concern at the dangers posed by the projected increase in tanker traffic.

Separately, a study by Mur-ray & Fenton of London commissioned by the Turkish-led that limited increases in tanker traffic could be accommodated with a new radar system. The Turkish Transport Ministry has an outstanding tender for a computerised system, for which Marconi of the US and Thompson CSF of

# Devaluation – and Asia – lift Italian exports

Robert Graham on a remarkable expansion into the newly industrialised countries

has the rare distinc-tion of possessing the one problem-free portfolio in the Italian government.

As minister of foreign trade, he is presiding over the most remarkable export growth any industrialised country has seen in the past two decades. On average the value of exports in the first half of the year is up 19 per cent compared with the same period in 1992. They are also up more than 7 per cent in volume terms.

The growth is across the board. Italian exporters have been quick to switch away from the stagnant markets of the main industrialised economies into the fast growing economies of Asia and Latin America. But thanks to the free float of the lira, which has seen it depreciated by about 20 per cent since September 1992, Italy has also managed to increase its share of EC markets, notably in Germany.

One reason for the sharp rise is the fact that exporters are no longer under-declaring sales in the wake of the lira devaluation. In the two previous years exporters had taken advantage of an over-valued lira to under-

"Devaluation obviously has been important but I don't share the view that this is the

R PAOLO BARATTA sole reason," says Mr Baratta. has the rare distinction one has to ask why British exports, which have enjoyed a similar competitive advantage from devaluation at the same time as the lira, have not per-formed nearly as well." Among the strongest sectors

of Italian exports have been industrial machinery and

technology makes it easier to train people, both on the spot China is a case in point where exports this year are set to double to more than L4,000bn (£1.6bn), accounting

for machinery is rising expo-

nentially. Their less complex

for nearly 3 per cent of total If the trend continues, exports to the EC will be outstripped

mechanical goods, the core of which are machine tools. This industry, which has shrunk in the UK for instance, has remained well-rooted in central

by shipments to other markets

and northern Italy. "These are not big groups producing very large sophisti-cated machinery like the Germans and the Japanese; but they are small and mediumsized, very flexible and ideal for finding niches between what the Germans and Japanese can offer," says Mr Bar-

He believes both the size and flexibility of Italian engineering groups adapt well to the specific needs of the fast modernising economies of the Far East, where the demand

exports. The bulk of this is accounted for by machine tools and engineering goods, espe-cially machinery for the textile

Such are the business prospects in China that the ministry, in conjunction with its Chinese counterpart, is to set up a series of "base camps" there. These will be geared to small and medium-sized exporters, offering them space near industrial zones for logistical support, parts storage space and training facilities. There is also strong demand

now back to the level of the 1970s, when the current account was broadly in balance. In the latter part of the 1980s and in 1990-91 exports for Italy's consumer products lost their momentum and the as a result of the new income being generated in the fast trade balance deteriorated. The growing economies. Clothing, annual growth in 1991 exports shoes, luxury goods and furni-

italy: exports are competing less on price than they are on brand labels, Trade with non-OECD countries in the first half this year was 26 per cent of total exports compared with 18 per cent for 1992 and 15 per cent in 1990. If this trend continues, non-EC exports will soon be more important than those of the Community. So far this year Italy's exports to the EC account for 54 per cent of the total. Two years ago they were At the same time, with depressed domestic demand. Italy has seen its import bill

This reflected a combination of an over-valued lira and a period of sustained highincreases in production costs, especially wages. Having long risen above inflation, wages for the past two years have been below inflation in the main manufacturing sectors. So far this year wage rises have been

# rises to productivity, has intro-Texan to invest DM550m in new Berlin complex

By Judy Dempsey in Berlin

held down to at least one per-

centage point below inflation,

which has averaged 4.4 per

cent a year. Exporters believe

an agreement with the unions in July, which abolished the

indexation of wages and linked

PROMINENT Texan building a new office, hotel and residential complex in the neart of Berlin's cultural centre despite the federal government's repeated delays in mov-ing the entire administration

to the capital. Hines Interests Limited Partnership, which has been responsible for complexes ranging from Postal Square, Washington, to the 30th Street Station, Philadelphia, will develop the area around the Gendarmenmark. Now east Berlin's cultural centre, it was the city's banking quarter before the second world war. This is the first time Hines

has moved into the European property development market. Mr Gerald Hines, its chairman, said Berlin provided "a unique opportunity. This is an untapped sector. It is also a crucial axis between eastern and western Europe. There is no other city which offers so much

By Quentin Peel in Bonn

GERMAN consortium

headed by the big plant con-tractor SMS Schloemann-Sie-

mag has won the contract for a

DMIbn (\$604m) steel plant at

Magnitogorsk, in the heart of Russia's Urals steel industry.

and will come into production at the beginning of 1997.

according to an announcement from SMS company head-quarters in Düsseldorf yester-

day.
The 10-member consortium the engi-

includes Siemens, the engi-

neering conglomerate, Hoch-tief, the Essen construction

company, and MAN Gutehoff-

nungshutte, as well as Magni-tostroy, the construction com-

pany in Magnitogorsk.
The contract is worth

DM300m to SMS, which has

The cold reduction mill will have a capacity of about 2m tonnes of sheet metal a year,

Germany wins

Russian steel

plant contract

over 50,000 sq metres of property on 8,400 sq metres of land, property developer will invest the company has been chosen more than DM550m (£223m) in by Sony to design the interior of its new European headquar ters on Potsdamer Platz, which straddled the eastern side of the Berlin wall.

Unlike other property developers who arrived in Berlin after the wall was pulled down four years ago this month, Mr Hines has not encountered big difficulties over outstanding property claims. Instead of dealing with each individual case, the company bought the entire property from the Senate, or government of Berlin. which in turn will compensate any claimants.

Since 1990, property developers have already invested DM11bn in this part of the Mitte, or centre of old Berlin. The other prominent develop-ers include Tischman Spier, which is building a Galeries Lafayette shopping and office complex, and the American Business Centre backed by Mr Ronald Lauder, heir to the US cosmetics magnate.

drop in profits for 1992/93, to

DM39m on a turnover of

DM1.968bn, because of the

worldwide slowdown in investment plans, especially in the

The company is involved in three other big projects in Russia, including another cold reduction mill (with Siemens)

at Novo-Lipetsk, the moderni-sation of a hot rolling mill at Novo-Lipetsk, and the moderni-

sation of an aluminium plant

A spokesman said yesterday that the contract was on a cash

basis, and would be financed

steel industry.

at Samara.

# Speed up talks, says Gatt director

MR Peter Sutherland, Agreement on Tariffs and Trade, yesterday urged the 116 nations taking part in the Uru-guay Round of trade liberalising talks "to speed up prog-ress in the negotiations" in order to conclude the round by the agreed deadline of December 15.

Pointing out that there were only 45 days left, he told the top-level trade negotiations committee that he believed it was "still within our grasp" However, he warned against leaving too many unresolved issues on the table for the final phase of the negotiations. Talks on improving access to markets for farm and industrial goods have made slower

progress than hoped.

Mr Sutherland said there had been some positive moves over the past month but critic-ised the "lamentable failure" of the Quad nations – the US, the European Community, Japan and Canada - to nail down the details of the tarifi-criting package agreed in principle in Tokyo last July. He said the Quad, especially the US and EC, had a particular responsibility to provide leadership in the market

access negotiations.
"Mutual recrimination is neither useful nor helpful," he

Trade officials present at the meeting said a number of dele-gations had also lambasted the

gations had also lambasted the US for creating other difficul-ties in the negotiations.

They were particularly criti-cal of Washington's intention to take a blanket ecomption for taxation under the money for taxation under the pro-posed services accord, which would allow it to discriminate against foreign companies in tax matters in breach of fundamental Gatt principles.

The US also came under fire over financial services, where it plans to bar Japan and developing countries from improved market access to its banking and insurance mar-kets, and over its opposition to a strong Multilateral Trade or a strong multilateral Trade Organisation to succeed Gatt. Under the present negotiating schedule, the hope is still to have "a well-defined approximation of the content, size and final shape of the overall market access package by November 15", alongside revised texts on the MYO and

by revenues from steel exports of the Magnitogorsk Metallur-gical Kombinat (MMK). It does not have any export credit guarantees from Hermes, the German export credit gency.
With production capacity of 16m tonnes and a workforce of 65,000 people, MMK is one of Russia's biggest steel makers. revised texts on the MTO and

If you're considering relocating, consider this. In Telford, you'll find a willing, multi skilled workforce whose journey to work won't be plagued by traffic, train strikes or the '8.24' turning into

What you will find is a population of young people (we have a workforce that's growing at eight times the rate of the national average) who can travel into your office or factory unimpeded. Thanks to an internal read system most commuters would give their right wheel for.

We've over 800 kilometres of fast, scenic roads and only four sets of traffic lights, not to mention our very own motorway.

Which makes journeying out of Telford every hit as easy. Most major cities are just a comfortable

drive away, as are the International airports. But our workforce is not just fresh arriving at work, it's open to fresh ideas too.

A myriad of companies from around the world mean new working practices and shift patterns (not to mention tomorrow's technology) are the norm in Telford, not the exception.

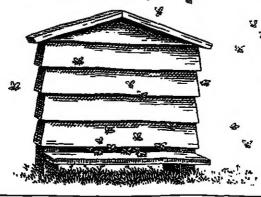
And you would expect a growing high tech town like Tellard to have a thriving training sector.

In fact it has one of the largest Information Technology Centres in the UK, a new multimillion pound university and colleges geared up to provide customised training.

But it's not all work and no play. Telford has a 450 acre town park, (the largest in Europe), swimming pools, golf courses, ski slopes, an athletics track, sports centres, a cinema, bowling alley, ice rink and more besides.

All in all Telford is both commercially and socially a hive of activity, with everything you'd expect to find in a big city.

Except for stressed out people and traffic



Call David Rogerson and his team on 0952 293262

phone bills. Mr Michael Hepher, BT group managing director, said further reductions were in prospect, including a version of a US offering "Friends and Family", where discounts are given on frequently dialled

He refused to make any pre-

AMBITIOUS plans were

announced yesterday to revive

film-making at the home of classic British films such as

Passport to Pimlico, Whisky Galore and Scott of the Ant-

Studios - where nearly 100

films were made between 1929

and its purchase by the BBC in

1957 - hope to use Business

Expansion Scheme funds to

make it a fully operational

studio again. The aim is to produce up to 10 films a year. After the era of Sir Michael

Balcon, the most famous

Ealing producer, the BBC

made television programmes there, including The Singing Detective, Fortunes of War and Colditz.

Mr David Bill's BBRK

group, which owns scenery, lighting and special effects

companies, bought the studios

from the BBC for 26m last

"We have a huge responsi-bility here. When we're not aware of the ghost of Michael

Balcon, the shadow of the BBC looms large. Some of their greatest work was done here," Mr Bill said. The group hopes to raise

£750,000 to develop Ealing

movies. The BES scheme allows tax-free investments ranging from £500 to £40,000.

provide deficit finance for the

films to be produced there.

Although BES funds have

been used to help finance films

Ealing Studios said yesterday

this was the first studio-based

development fund BES cover-

year portfolio " of films.

influence on his career.

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Plan to

revive

**Ealing** 

diction about the effect of the cuts on BT's profitability, argu-ing that the company was due to report its half-year results within a few days.

Analysts said the cuts reflected stiffening competi-tion, tight price controls and lower inflation.

BT, the UK's largest telecommunications carrier, is bound by the terms of its licence to keep its main charges at least 7% per cent-below the rate of inflation:

with inflation running at about 1.2 per cent this year, BT has to find imaginative ways of cutting its prices overall by

some £500m. The price cuts were generally welcomed. The Telecommunications Users Association said the new tariffs show that

influence of new competitors in the telecommunications marketplace. The TUA would continue to lobby for time-based tariffs rather than BT's existing 4.2p basic unit method

BT is taking seriously the

Mercury Communications. the rival telecommunications, carrier said the changes were a response to Mercury's own residential pricing initiatives and

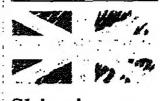
The price changes BT announced yesterday are heavily biased towards residential subscribers. A permanent national weekend rate is being introduced which will bring price reductions of up to 60 per cent. A three minute call which would have cost between 15p and 25p at the old rate will cost 10p. Public payphones and BT chargecards are included in the new scheme.

BT says its rates are now very competitive internationally. A three minute, 100 mile call at the weekend will cost Germany, 25.09p in the US and 18.47p in Australia.

In the private circuit business, BT has to meet new price controls which limit overall price changes to the rate of inflation. Kilostream rentals are being held and connection charges for Megastream digital circuits will be cut from \$4200 to £4650.

Analogue services will increase by an average of 1.1. The Baltic Exchange, the home per cent on rentals and 25 per cent on connections. Mr Hepher said Kilostream circuits could be implemented in two weeks and Megastream cir-

### Britain in brief



### Shipping freight market to relocate

of London's shipping freight market, is to sell the freehold site of its listed building and move to alternative accommo-

dation in the City of London.

The exchange will also look at proposals to develop the building, which was badly damaged in an IRA bomb attack in April 1992, as a joint

A spokesman said that the 91-year-old exchange, which is sometimes referred to as the "cathedral of shipping", no longer meets the needs of the 620 companies which are mem-

The decision to leave the building follows a decline in the exchange's fortunes over the last 20 years.

### Amec wins oil contract

BP Oil has awarded Amec Engineering a 250m contract to install new equipment at its refinery at Grangemouth, Fife, which will enable the complex to meet new European Com-munity standards for sulphur content in diesel fuel.

The installation of the hydrofiner will allow the refinery to reduce the sulphur content of its diesel fael from 0.2 per cent by weight to the new EC standard of 0.05 per cent by 1996. About 250 construction jobs will be created.

Meanwhile Hamilton Oil The group of US names had awarded the first big contract claimed that the market's

gas development. THC Fabricators of Hartlepool won a £45m contract which includes construction of a 7.500 tonne central processing deck and associated equipment.

### Belfast airport sell-off closer

The privatisation of Belfast International Airport took a step closer to realisation when the government issued invita-tions to "pre-qualify" as a potential purchaser.

Pre-qualification applications must be submitted by December 1 to Touche Ross, the accountancy firm acting for the department of the environment for Northern Ireland. There will then follow a two month assessment and screen-

qualify should then be able to bid to take over the airport by September 1994. Belfast International is the UK's seventh biggest airport by passenger numbers and third biggest by freight.

ing of applicants. Those that

In its last full year, the airport generated a turnover of £23m with after-tax profits of £2.5m by serving more than

### Names fail in US case

A group of US Names - the individuals whose assets sup-port the Lloyd's insurance market – failed in their attempts to have a case against the insurance market's author ities heard in the US. The US Supreme Court yesterday refused to hear an appeal by a group of more than 100 Names who alleged Lloyd's breached US securities laws. The Federal appeals court in New York had already ruled that the Names should pursue any legal action in the UK courts.

for the Liverpool Bay oil and authorities, along with some syndicates and brokers, had breached US securities law by failing to disclose liabilities on pollution and catastrophe-related policies. The Supreme Court did not rule on the strength of the claim, but said that the agreements signed by the Lloyd's names required them to pursue their case in the UK under British law.

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### Fishermen reject code

Fishermen rejected signs of a partial climbdown by the gov-ernment over its plans to restrict the number of days they can spend at sea from

next January. The National Federation of Fishermen's Organisations, which began its High Court application for judicial review of the new limits, said the government was suggesting only minor alterations and not

abandoning the policy. Mr Michael Jack, fisheries minister, said the government would announce changes to the plan once the High Court

challenge was over. But the NFFO said the government had indicated it would exempt some fishing groups from the restrictions and increase the minimum number of days at sea for

Mr Richard Banks, NFFO chief executive, said the government appeared to have paid no more than lip service to the organisation's alternative proposals for conserving fish.

### W Germany coal order

British Coal is asking for a government subsidy after sec-uring an order to export 50,000 tonnes to Stadtwerke Bremen in west Germany.

It is on course to export 1m tonnes this year against 600,000



To mark National Library Week the British Library's Reading Boom at the British Musuem was opened to the general public for the first time since it was built in 1857. Bart Smith, an early visitor, browses among the volumes where many famous writers, including Karl Marx, once worked. The library, founded in 1753, holds 10m books and is used by academics from around the world.

# 'Green' farming budget threatened

budget is likely to antipy signif-icant cuts as a result of the icant cuts as a result of the committed herself to ensuring The studio has entered into a trading relationship with Screen Partners, which will public spending round, with new measures for environmen-

ing as many as five or six new

The money will be invested in Ealing Studies Productions and investors are being prom-Conservationists and farmers ised stakes in a "varied five-Mr Alan Latham, the man-

aging director of Ealing Stu-dies said he wanted "to recreate Ealing's finest hour." Last night Hollywood director Martin Scorsese paid trib-ute to the effect of the Ealing now being told a delay is on

Exim last year.

tally sensitive farming and support for traditionally hardpressed hill farmers both

under threat The bulk of the Ministry of Agriculture's £2.77bn budget for next year goes on Common Agricultural Policy spending and cannot be touched. But the Treasury is expected to target the domestic part of the bud-get, due to reach £826m.

are concerned that the start of the so-called agri-environment programme, unveiled only three months ago, may be put off for a year. Mrs Gillian Shephard, agri-

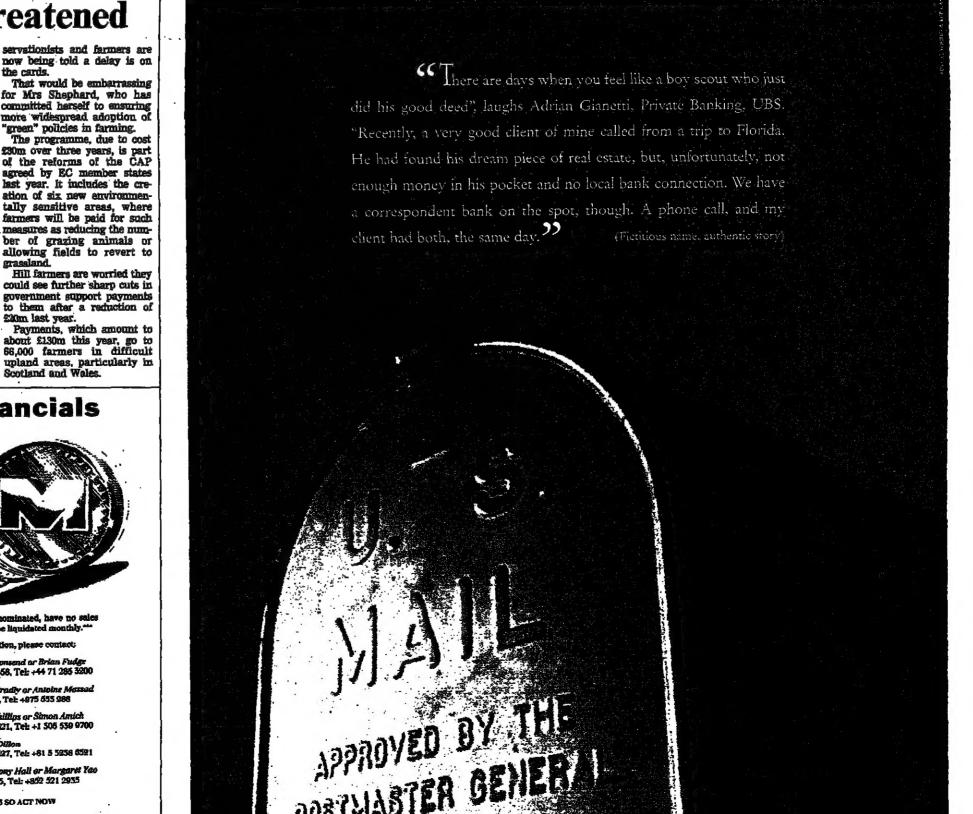
culture minister, last month refused to confirm that the new programme would escape the spending squeeze and con-

NEXT YEAR'S agriculture the cards.

more widespread adoption of "green" policies in farming. The programme, due to cost £30m over three years, is part of the reforms of the CAP agreed by EC member states last year. It includes the creation of six new environmentally sensitive areas, where farmers will be paid for such

allowing fields to revert to Hill farmers are worried they could see further sharp cuts in government support payments to them after a reduction of

Payments, which amount to about £130m this year, go to 66,000 farmers in difficult upland areas, particularly in Scotland and Wales.



Not banking as usual.

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Management Company (MINT)
specialises in the futures and currency markets and has more than 12 years trading experience. Over this period, MINT's performance index shows a compound annual rate of return of \$1.4%

• The Promoter The E D & F Man Funds Division has launched more than 50 funds with USS 1 billion dollars under advice. The Guaranter Barcleys Bank PLC provides a guarantee" of the return of investors' initial investment for Units held at maturity in May 2005.

charge, and may be liquidated monthly. For more information, please contact: Landone John Townsend or Brian Fudge Par +44 71 626 6458, Tel: +44 71 285 3200 Robrain: Arthur Bradly or Antoine Massac Fax: +975 535 078, Tel: +975 555 988 Mami: Steve F. Phillips or Simon Amich Fax: +1 305 530 9621, Tel: +1 505 539 9700

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- The following timetable is to apply:
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  - (Applications to qualify): 17th January 1994. 3.00 p.m. SUBMISSION AND OPENING OF ENVELOPE "B" (Financial Bid): 22rd February 1994 3.00 p.m.

The address for all the above proceedings is: CAJA NACIONAL DE AHORRO Y SEGURO, Hipólito Yrigoyen 1750, Buenos Aires, República Argentina.

Further information respecting the business of Caja is currently obtainable from their financial advisers, KLEINWORT BENSON LIMITED, 20 Fenchurch Street, London EC3P 3DB, Tel.: 44 71 623 8000, Fax 44 71 623 5535



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**NEWS:** UK

# Unionists welcome peace move

Tim Coone and **David Owen** talk to leading Ulster loyalists

UNIONISTS ULSTER yesterday welcomed the announcement that the British government would put forward its own proposals for bringing about a lasting peace in North-

But they poured cold water on Downing Street's hopes that the party could be persuaded to rejoin round table talks on the province's future.

Mr Ken Maginnis, UUP deputy leader and security spokes-man, said the party would not sit with Mr John Hume, the leader of the Social Democratic and Labour party, as long as the latter continued his talks with Mr Gerry Adams, the Sinn Fein leader.

I will not have the IRA at the negotiating table with John Hume acting as their proxy," he said.

Speaking from Peru where he is observing elections, Mr Maginnis called on Downing Street to take a firmer line on terrorism if it expected to get Unionists back to the negotiating table.

In the wake of one of the worst weeks of sectarian violence in Northern Ireland for two decades "the greatest dan-ger now is in doing nothing about terrorism, not doing nothing about talks," he said. Mr Maginnis warned prime minister John Major not to be "panicked into new political measures like Margaret

Thatcher was panicked into

the Anglo-Irish agreement in 1985 by the Brighton bomb." He rejected the Irish government's six-point plan, announced by Mr Dick Spring. the Irish foreign minister, last week, as a basis for restarting

negotiations. The Irish government will try to seize the initiative, and we move forward solely on the basis of the Spring principles, this opens the door to all sorts of interpretations which will only increase the level of violence," he said. Mr John Taylor, UUP Europe

spokesman, welcomed Downing Street's intention to bring forward its own proposals but described round table talks as a mistaken formula



Residents of Greysteel lay flowers outside the Rising Star Bar where seven died at the weekend

Pressure for such talks to resume was "misplaced", Mr Taylor argued, calling for new British proposals to be dis-cussed instead in a series of bilateral meetings between Downing Street and the prov-

ince's constitutional parties. Mr William Ross, the party's chief whip, joined Mr Maginnis in calling for the government to give "careful consideration" to selective internment. The aim should be to "behead" terrorist organisations of their command and control centres, he said. Enough of the terrorist

"godfathers" were identifiable. according to Mr Maginnis, to make a difference.

Mr Ian Paisley, leader of the hardline Democratic Unionist party, made no direct reference to the possible resumption of round table talks in Commons remarks that were interpreted as surprisingly conciliatory. But he criticised the Spring plan, saying many in Northern ireland were "alarmed" by some of its contents.

Sir James Kilfedder, leader of the Democratic Popular Unionists, said it would be

"sensible and desirable" for talks between the province's constitutional parties to resume as soon as possible. He also called for unequivocal support for the security forces. Mr James Molyneaux, the UUP leader, has so far refrained from commenting in public on the increased pres-sure on his party to join round table talks, and, according to his office, will not do so until Wednesday at the earliest. The party's nine Westminster MPs

plan to hold their weekly meet-

ing on Thursday as usual.

### Insurer sees export pick-up in Europe

By David Dodwell; World Trade Editor

TENTATIVE SIGNS recovery from recession Europe have been detected by NCM, Britain's leading export

credit insurer. In its latest report on the export outlook, it says fewer UK exporters are suffering losses due to non-payment, and payment delays have

become less severe.

The quarterly study by the Cardiff-based NCM Credit Insurance shows that non-payment problems eased in 11 of the 12 EC markets, comparing the 12 months to the end of September with the compara-ble period to the end of June. The odd man out in the survey was Luxembourg, which is

not a significant export mar-ket for the UK. Payment delays worsened by 12 per cent in the year to Sep-tember, but this marks a significant improvement from the picture a quarter earlier, in

which NCM reported a worsenin some parts of continental Europe, the recession may Connie Randall, NCM's direc-tor for business strategy and

She nevertheless warns t sankruptcies are expected to be high in Germany in the final quarter of this year, with business conditions uncertain in Belgium, France and Greece: "In the short run, the outlook for UK exports to Europe remains bleak."

NCM, which provided hants ance cover for £14bn of UE exports last year, accounting for 80 per cent of the market, reported a dramatic deteriorstion in payment delays in Italy - 72 per cent up in the year to end-Si

But in Spain and France, delays were reduced by 10 per cent and 18 per cent respec-

Whereas one in five emorters to France experienced payment defaults in the year to end-June, just one in 11 reported defaults in the year

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FINANCIAL TIMES SURVEY

# THE SLOVAK REPUBLIC

Tuesday November 2 1993

Slovaks were wary when their 74 year-old "marriage" with the Czechs ended peacefully at the start of 1993. Now caution has been replaced by a quiet determination to succeed.

Anthony Robinson describes the new Republic's problems and prospects

# Adventure in statehood

clean divorce was preferable to

a messy, protracted squabble

over the terms of cohabitation. As the Czechs were the richest

and the most populous mem-bers of the 74 year-old Czecho-

slovak state Mr Klaus was able

to determine the subsequent

course of events.

Mr Vladhuir Meclar, the pug-

nacious Slovak leader who

turned his Movement for a

Democratic Slovakia (HZDS)

into the dominant force in Slo-

wak politics by his attacks on

Czech arrogance and insensi-

found himself with no alterna-

tive but to negotiate the best

terms for divorce.
In contrast with Yugoslavia,
where the number of states,

nationalities and cultural and

ethnic groups involved was

much greater, and where past

violent conflicts over borders

and between groups had left

indelible scars, the Czech and Slovak divorce negotiations

were tough but amicable.

ON New Year's day, 1993, Slovaks sloughed off a thou-sand year subservience to Hungary and seven decades as the junior partner in Czechoslovakia and celebrated the birth of a sovereign, independent, internationally recognised

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republic. But only six months earlier most Slovaks went into the crucial general elections of June 1992 intending to negotiate a new and looser union with their richer and more numerous Czech cousins, but not to be divorced from them.

Opinion polls showed that tivity to Slovakia's needs, divorce was only sought by a small minority in both the Czech lands and Slovakia. Many Slovaks were in favour of seeking greater political and cultural autonomy, but fewer than 10 per cent voted for the openly separatist Slovak National Party (SNS). The 600,000 ethnic Hungarian minority was virtually unanimous in opposition to breaking ties with Prague as were the less politically organised Gypsy, Ukrainian, Ruthenian and other minorities living mainly in the east and south of

But the election results put political power into the hands. of noliticians with incompatible ideas shout acceptable terms for cohabitation in a common state. The Czech

insist on their European vocation and their desire for the fastest possible integration into a suitably extended European Community and

A young Slovak diplomat from the east of the country, the part which was most opposed to the idea of rule from Bratislava and gave the lowest votes to Mr Meciar, summed up the reaction of many of her generation. "We did not want to be cut off from Prague and the Czech part of our country. We felt nervous about being alone in this part of the world. But now I am amazed to find how little we have in common with the Czechs and how tied up we are in trying to solve our own problems here in Slovakia."

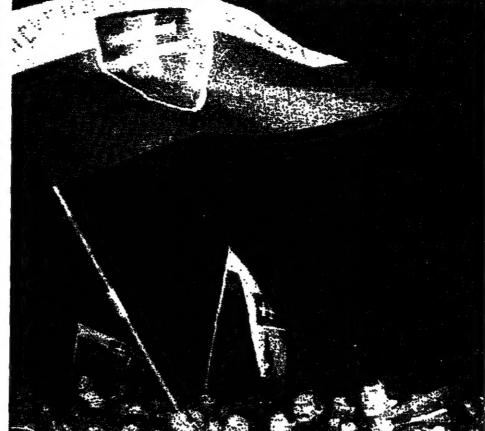
For Prague, the divorce meant the end of an implicit economic subsidy to Slovakia, at the cost of a 30 per cent loss of trade between the two new states. It also freed the Czechs from entanglements inherited from the inter-war republic whose borders were drawn to include a large Hungarian minority at the end of the first

world war. For Bratislava, independence promised the psychological and spiritual satisfaction of permitting the majority ethnic Slovaks the opportunity to develop and assert their own national personality at home and abroad after a millennium as a largely ignored or subser-

vient people.

But it has required an enormous effort to build up the institutions and trappings of a sovereign state. For more than 70 years many of the most able Slovaks moved to senior jobs in Prague, and few were prepared to return to Bratislava to create a new state, especially under the political conditions created by the HZDS victory in the elections.

But a mere 10 months of sep-In spite of the difficulties, arate existence have already brought about palpable however, Slovakia now has an independent central bank, a changes in perspective. On both sides of what is now an introduced in six weeks also signed a separate assume tion agreement with the EC and gained membership of the gain with the EC and gained membership of the gain with the EC and gained membership of the gain with the EC and gained membership of the gain with the EC and g national currency (hastily international border between the two states apprehension about the possible unforcesen consequences of separation has been largely replaced by a national army and security forces and diplomatic represendetermination to make indetation abroad. It has obtained pendence work. Both states international recognition and



Stovaks celebrate the constitution of their new Republic: a bloodless addition to the European tamily

membership of a wide range of international institutions, including the IMF, the World Bank and the EBRD. It has Council of Europe, after the last minute withdrawal by Hungary of objections linked to the rights of ethnic Hungar-

ians. Both economically and strategically, however, the new Slovakia inherited substantial real and potential problems. Already hard hit by the collanse of Comecon markets and the end of the Cold War, the disintegration of the highly integrated Czechoslovak economy has led to a sharp drop in trade with the Czech republic

at a time when recession in western markets has reduced the already limited ability to shift to OECD markets. Unemployment is high and foreign investment remains low while the pre-divorce wave of Czechoslovak privatisation has not been followed by a similarly determined all-Slovak version. Without rapid privati-

sation and higher foreign investment Slovakia's ability material intensive economy more attuned to international trade will remain in doubt. The potential certainly exists

for a successful transformation of the economy, given the high level of technical skills and current low wage rates. In the service sector tourism also has good prospects, once the unfriendly, rigid state hotel structure is replaced by small scale private and local tourist initiatives. This year Slovakia is expected to earn only \$200m from tourism, a fraction of what could be earned by creative exploitation of a rich natural endowment which includes the high and low Tatra mountains, much untouched countryside and a plethora of castles, churches and cultural treasures. A lot depends on Slovakia's

ability to project itself properly as a peaceful, stable, democratic country, at ease with its neighbours and not only open to foreign investment but able to create the banking, legal and institutional framework that potential investors can feel familiar with. This is not always the case and some small investors have found difficulty seeking redress for alleged irregularities.

But the main question hangs over Slovakia's ability to forge a mutually satisfactory relationship with Hungary. This is highlighted by the dispute over Slovakia's unilateral decision to go ahead with completing the Gabcikovo dam on the River Danube, and irritating resistance to the ethnic Hungarian minority's Hungarian-Slovak place names in areas of Hungarian settlement and the right not to use the Slovak suffix added to female Hungarian surnames.

The dam issue, which aroused greater passions in Hungary than merited by the controversial ecological issues alone, is currently under adjudication by the International Court at the Hague. The Slovak side points out that it was Budapest which first acted unilaterally by

pulling out of the joint scheme. Mr Jozef Moravcik, the foreign minister, also compares the high degree of cultural and linguistic autonomy enjoyed by Slovakia's Hungarian minority with the assimilation pressures to which ethnic Slovaks have been subjected in

Wise heads in Bratislava have tried to defuse potential tensions by quiet diplomacy, fearing that the intemperate words sometimes used by Mr Meciar when referring to both minorities could inflame passions and contribute to the re-ignition of latent ethnic tensions throughout the wider Carpathian region. The rise of nationalist parties in Hungary and Romania underlines the risks involved in playing the ethnic card.

Opinion polls indicate that Mr Meciar still retains a core following in his home territory of central Slovakia, in the scenically attractive villages of the Vah valley and the Tatra mountains. These are the areas economically hardest hit by the collapse of the arms industry and the loss of Comecon markets on which dependent before the death of the Soviet system.

It is fer harder to find supporters in Bratislava, the capital which is tucked away at the extreme south west of the country, only 65kms from Vienna, or in Kosice, the regional capital of eastern Slovakia, even though unemployment and the attendant social pains are lower in these two big cities.

Mr Meciar may not be the ideal politician to lead Slovakia into independence, but his latest deal with the Nationalist Party (SNS) should give him the parliamentary majority needed to get next year's tough budget approved and fight off left wing opposition demands for early elections. The international financial institutions are helping to fund investment projects, pending the hoped for awakening of

foreign private investment. easy. But independence seldom comes cheap.



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Short of raw materials and energy sources, and with many of its biggest companies geared to serve highly specialised markets for heavy engineering products in central/eastern Europe and the former Soviet an uncertain future without heavy investment beyond the capacity of local resources.

With only about \$320m disbursed since 1990, Slovakia has attracted only a tiny share of foreign investments in the region. But interest is growing, especially from neighbouring are said to be on the way.

Faster privatisation is one of the keys to greater foreign investment. But the sacking of Mr Lubomir Dolgos, the former privatisation minister, without a replacement being appointed has raised question marks about the commitment of the government to recovering the momentum lost after the divorce from the rapid privatisation-orientated Czechs.

Government officials dispute the complaints of opposition parties and businessmen that privatisation has ground to a virtual halt after the first round of coupon privatisation which was set in train while Slovakia was still part of Czechoslovakia. "We believe we should privatise more quickly as it is a basic prerequisite for restructuring our economy," says Mr Ivan Lexa, state secretary in charge of privatisation.

He rejects criticism that the privatisation process has been slow and prone to bureaucratic delays. "Speed is relative. Seen

Slovak Republic.

For registration, please contact:

Pascal ROGER, Carlos de LOS LLANOS, Tel: 33 1 40 92 45 77 Fax: 33 1 42 53 91 16

from the perspective of the World Bank and the IMP, privatisation in Slovakia is considered among the best. The pace and range of privatisations compare well with other post-communist countries, but we are looking at improving and speeding up the process,

Since 1990, state assets worth SK120bn (\$4.1bn) have been sold including about 500 com-panies with a book value of more than \$3.1bn which have been disposed of through mass voucher privatisation. The voucher privatisation pro-

Faster privatisation is one of the keys to more foreign investment

gramme was launched in 1992 but it is only being completed now because of delays caused by the division of the former Czechoslovak state.

As with the neighbouring Czech Republic, Slovakia's voucher privatisation was considered a success by western analysts, and a second wave of voucher privatisation is planned for next year. But the government has shifted empha sis, intending to resort more extensively to standard methods of privatisation.

Shares in Slovak companies may also be floated on the Prague and Vienna stock accounting has been harmonised with Austrian requirements, says Mr Lexa.

The new privatisation programme provides for the planned sale of 600 companies with a book value of about SK210bn (\$7.2bn) of which voucher sales will only account for assets worth SK50bn-

SLOVAK REPUBLIC

The Mechanical Industry and

**Armament Sector Conversion** 

Brussels, 29-30 November 1993

BUSINESS MEETING

In Brussels on the 29th and 30th of November, 1993, a

delegation of 25 managers of the most important Slovak groups

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Know-how of the Slovak Armament Industry, Conversion

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Privatisation and Restructuring of Mechanical Groups. The

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This meeting is being organised with the support of the

Commission of the European Communities, PHARE Programme

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companies the opportunities for cooperation.

Foreign investors study pace of privatisation, reports Patrick Blum

# Austrians head the queue

privatisations will only take place in the third quarter of next year. Until then the government will seek to sell as many companies as possible by direct sales and public tenders.

"Voucher privatisation resulted in too great a dis persal of shareholders with small stakes who are not always committed to further investment in their companies," Mr Lexa says to explain the shift in emphasis. "There was just a change of owner-ship, but it brought nothing to the state or the companies. With the second wave we aim to accelerate restructuring. Slovak industries need new technologies and they must modernise their production. This requires a lot of money and can only be done with forelgn capital," he says. The importance of attracting foreign investors is underlined by the shortage of capital of the Slovak banks which exhausted their funds in the first wave of state disposals. Foreign investors will be able to buy up to 100 per cent of a company's shareholding, and benefit from a wide range of tax and other incentives. But the authorities will seek a commitment by investors on furents to modernise

and develop their companies. Mr Lexa says interest has picked up this year after a slow start. "In 1992, and early 1993, opinion about Slovakia was not favourable. We were seen as backwards and politically unstable, but since then the IMF. the World Bank and the EBRD have helped to give us recognition. We are also much more active at targeting investors abroad, and people are getting a clearer picture of opportunities in Slovakia."

Officials are trying to market

duction and trading centre with a relatively good trans-port infrastructure and good access to both western and eastern markets. Telecommunications, which are currently very poor, especially inside the country, are being upgraded through an Ecu227m modernisation programme. The Euroand Development (EBRD) is providing Ecu44m and Slovak lecommunications Ecul22m with the remaining Ecu61m coming from export credit

The project will improve services for 414,000 existing customers and bring in 200,000 new subscribers. By 1995 all main cities should have a digital telephone network. Bratislava will be equipped with a combined local, transit and international exchange and be the focus of a nationwide opti-

A recent EBRD study of some 400 small-to-medium size Slovak companies with 500-1.000 employees, identified more than 50 with good prospects for potential investment in a wide range of sectors. "People are finding much greater scope for investment than they expected." a western sultant says. The EBRD, which is playing

a catalytic role in attracting

foreign investment to Slovakia

Ecu10m in a proposed Ecu20m

fund to invest in such compa-

considering investing

nies. It will work alongside the European Community which plans to put up Ecu5m through its Phare programme, with the rest coming from elsewhere.

The EBRD is also providing a total of \$125m for the comple tion of a new aluminium smelter at Ziar nad Hronom. Over \$185m had been spent on

the 65 per cent finished plant before construction suspended five years because of lack of funds. The new financing will allow the plant to be completed with the installation of state of the art technology from Norsk Hydro which is also taking a \$15m equity stake in Slovalco, the operating company. The EBRD is also taking a \$15m equity stake in the company, but the bulk of its commitment is a \$110m loan which will be used to finish construction, buy the equipment and also close down the existing, heavily polluting,

More than 1,000 Austrian companies are established in Slovakia

Other investors so far include Volkswagen, with a \$32.5m investment in an assembly plant near Bratislava for its Passat model; K-Mart of the US with a \$30m investment in the Prior retail chain stores, Rhône Poulenc (\$20m); and Samsung (\$11m). Volkswagen is reported to be planning a

1.000 Austrian comnanies established in Slovakia and \$76m invested. Slovakia's weet. ern neighbour has both the largest number and volume of investments, representing about 30 per cent of total for-

further \$25m investment at

The close proximity of Brati-

slava to Vienna - just over an

hour's drive away - has

encouraged Austrian investors.

including Siemens' Austrian

subsidiary. With more than

Firatislava

eign investments. Complex negotiations are continuing with OMV, the Austrian energy group, which is seeking an important stake in Slovnaft, the Slovak of and petrochemical company With Austrian plans to upgrade transport and rail links between Bratislava and Vienna, Austrian investment is likely to continue to grow. The Austrian commercial office in

Bratislava says that in the first half of the year it has had some 7,000 inquiries, two-thirds from Slovak companies seeking foreign partners. These developments offer hope for an economy in its fourth year of

Economy has a weak base, say Patrick Blum and Anthony Robinson

# Comecon's unhelpful legacy

Slovakian independence is

shaky.

Czechoslovakia as a whole was deeply integrated into the Comecon and Warsaw pact system, but Slovakia with its concentration of heavy engineering and arms plants as well as large scale shoe, textile and other consumer goods factories, was much more orien tated towards the east than the more variegated Czech economy. Slovakia therefore suffered more from the break-up of the old Comecon trade links and the collapse in military orders which followed the end of the Cold War and Prague's post "velvet revolu-tion" dictum about the immo-

rality of the arms trade. Slovakia's historical development as a supplier of steel and semi-finished components for finishing and sale in the Czech republic has also made it more vulnerable to the collapse in bilateral trade which followed the division of the country and the disintegration of the 74 year-old Czechoslovak economy. The Czechs, with their geographical prox-imity to western Europe and experience in selling finished products, have found it much

THE economic basis for easier to switch to RC markets, especially Germany.

Coping with these two severe shocks - the loss of the Comecon and then much of the Czech market - in quick succession has been traumatic. A return to economic growth is not likely before 1995.

The scale of the problems is illustrated by a single statistic since 1989, Slovakia's gross domestic product has declined by 30-40 per cent. The arms

Steel-making has been badly dented by the end of the east-west arms race

industry has been decimated; agriculture, accounting for about 20 per cent of GDP, has been severely disrupted; and service industries such as tourism have also suffered from the inadequacy of the existing facilities to cater for western tastes.

In the first six months of the new state's existence Slovak GDP fell by a further 6.2 per cent compared to the same period in 1992 while unemployment rose to 12.5 per cent of the workforce. Inflation rose to 14.2 per cent.

Officials say the introduction of value added tax last January added about 9 percentage points to inflation, while a 10 per cent devaluation in July, and additional tax increases introduced during the summer, will have a further negative impact on the consumer price index. Inflation is now forecast to rise to around 25 per ceut on an annual basis by the end of the year. Over the whole year GDP

could fall by 8 per cent. Next year the government hopes to reduce inflation to around 10-15 per cent, but expects the economy to continue to contract. The GDP is expected to fall by a further 3-4 per cent in 1994 while unemployment will rise further to around 20 per cent. A resumption in growth is not pected until 1995.

On the positive side, imports and exports are now roughly balanced at an overall lower level, and the current account is expected to show only a small deficit this year of according to Mr Marian Jusko, deputy governor of the National Bank of Slovakia. Foreign debt - both public and private - stands at a relatively low \$2.78bn, due partly to a successful \$240m bond issue raised in September and \$90m borrowed from from the International Monetary Fund as the first tranche of a \$180m structural transformation facility agreed in the summer. Thanks to foreign borrowing

and balanced external accounts the National Bank's foreign exchange reserves, which fell to below \$140m in February when the currency union with the Czech Republic came to an abrupt end, rose to \$566m by mid-September. Total foreign assets held by commercial banks and the National Bank, including gold, rose to \$1.67bn. The lone expected devaluation of the Slovak Koruna in July has

Officials say there is no need for further devaluations, but independent analysts say this will depend on maintaining tight monetary control. The authorities are aware of this. The national bank is keeping a sharp daily watch on government revenues and expenditures to ensure that the government keeps to its July agreement with the IMF to keep the deficit to within a SK14bn-16bn range, represent-

ing about 5 per cent of GDP. But with revenues slashed by the recession, insufficient manpower to collect taxes, and rising expenditure on unemployment benefits, the authorities will be hard put to keep to the target. The size of the social security budget is a particularly onerous constraint. About one third of this year's. SK158bn budget will be spent on unemployment benefits, ealth and other social bene fits, compared with an OECD average of 9/10 per cent. Reducing this burden is politi-

cally difficult. Officials believe the government will manage to keep to this year's deficit target, and will be able to decrease it next year as national insurance is taken off-budget as part of a broader reform of governs finances and improvements in tax collection. Higher income

from privatisation, to be accelerated next year, should also help boost revenue. There are still many poten

tial pitfails, however. Bankruptcies are expected to rise a new bankruptcy law which aims to clear an estimated SK 80hn in inter-company debt Privatisation has been prone to delays, and the private sector still only accounts for about 10 per cent of GDP. though the proportion is growing "from mouth to mouth' says Mr Jaroslav Kubecka,

ny minister. Restructuring the still largely state-run economy into a viable market economy will need substantial amounts of capital investment, the bulk of which can only be provided by foreign investors who have been deterred by fears of politiical instability.

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The banks have been organised at top speed, writes Patrick Blum

# A model from Frankfurt



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and financial institutions has emerged as a top priority throughout the former communist world. But in Slovakia this has entailed the additional burden of creating a new central bank at the apex of the system which unexpectedly had to assume the additional task of introducing and managing an independent national currency.

Finding staff at all levels with the necessary experience and knowledge of modern central banking principles, including the vital supervisory funcs, has been complicated by the fact that before the divorce central bank functions were concentrated in Prague.
"The federal state had its

administration in Prague. The stayed in Bohemia after the

THE creation of viable banking split. Very few Slovaks worked in important positions in Prague, and most of them stayed there. We had to start from scratch and this inevitably had an impact. That is the price we had to pay for inde-pendence," says Mr Jozef Magula, head of the finance ministry's financial and economic policy department.

What is more, the new central bank had to be established and personnel had to be found for a wide range of state insti-tutions including the finance ministry in competition with the banks and a new stock exchange, not to mention private companies.

Before the divorce on January 1 the central bank's presence in Slovakia was limited to a small branch of the State Bank of Czechoslovakia in Bratislava. The newly founded Slovak National Bank (SNB) struggled to get organised in the weeks following the breakup of the federation. It received help from the British know-how fund and the Austrian National Bank which provided training courses for staff, many of whom had little expe-

Few Slovaks had senior posts in Prague, and most have stayed there

rience. Only one of 10 senior employees working in the federal bank came back to Bratislava - and became head of the SNB's dealing department.
As if these handicaps were

not enough, the bank was soon put through its paces with the collapse of the currency union with the Czech Republic in February, accompanied by a run on reserves. As originally conceived, the two countries planned to run a joint currency for at least six months after the divorce. But the precipitate drop in bilateral trade as the frontiers were established accelerated the need to establish a new independent currency under strong pressure

were resisted until July. As the first year of independence draws to a close the dust is beginning to settle, and the central bank is looking forward to a more stable environment. But Mr Marian Jusko, deputy governor, says that only five of eight positions on the bank's ruling council have been filled. The total number of employees, however, has

from the markets, and the IMF,

to devalue. These pressures

doubled from the initial 200 to more than 400. In principle the central bank enjoys an independent status

modelled on the German Bundesbank. This is enshrined in its founding statutes and last July's devaluation was formally decided by the central bank rather than the finance ministry which had taken the lead in resisting devaluation pressures for seven months.

The bank's principal tasks are to maintain control over monetary policy and inflation, to ensure currency stability, and to supervise the banking

For their part, the commercial banks are having to learn to live with tight supervision and growing competition. They have had more time to adapt than the central bank during three years of radical reforms

that began in 1990. As in the Czech Republic, the pace of change has been dramatic, transforming the banking system beyond recognition from its former role as a conduit for money distributed under a central plan into a western style financial sector.

The number of commercial banks has grown from two in 1991 to 26 today, with new spe-cialised financial institutions including 17 universal bankssix of which have foreign currency licences - and nine for-eign bank branches.

Foreign institutions repre sented in Slovakia include the Crédit Lyonnals, and Banque Paribas of France, Creditanstalt and Oesterreichische Volksbanken of Austria, and the Internationale Nederlanden Bank of the Netherlands, as ☐ Continued on facing page



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between Bentislava and Curism. To stop it also along the burder section, would again regular the hiph-in-situation the previousel measures in the old Danuise which form a part of Hungarian share of work.

<sup>6</sup> The access to the port of Bratislava at all times has been secured, as has been an abundance of good quality tragation water. The access to the Vali water-way and to the britancies of the Danube is will watting for the impoundment of Magymans.

The ground-water level has been significantly increased downstream from Bratishow, improving conditions for agriculture and forestry.

"The arms of the Danube which as a consequence of the deepening of the river-hed and of the pound-water level have been dry or without live current the greater part of a year, are now filled with live water on the left side. The right bank is waiting for the decision of Humgarian politicians, to turn into practice the theoretically problaimed care about the wellbeing of mature and their tax payers.

The conditions of equatic life and wildlife have been greatly improved by the abundance of water in the arms. This will lead to an increased of diversity of fish, apinush and birds. For the future, development without interference of navigation.

\* The ground-water storage of high-quality fresh water has increased the utilisable capacity, without changing the quality. On the contrary, the oxygen content has even been increased and the strongly polluted upper-layer of ground-water is being diluted and improved as a result of increased scepage from the reservoir.

The receiver and its surroundings created ideal conditions for trater-sports and tourism. The development of the necessary facilities will secure ample labour for the local people, us well as improved conditions for marketing their products. The cromonic development of the previously underdeveloped region will result in improved life-conditions for the talmbitants, the majority of whom are ethnic

 The lack of objective information about the Gabelloon-Magymanos Project enabled
the dissemination of scientifically unfounded information, half-truths, specialise
of uncert in the region - which disoriented and negatively influenced public opinion
harming the good name of Siovakia in the work.
 The Hungarian lack of faith in the abilities and goodwill of scientists and
engineers on both sides of the Danube who conjected and implemented the
pages. project.

The discrepant towards international obligations and interests of the treasy partner is a sign of survival of the totalitarium approach and necessarily leads to an

The navigation parameters in the section of the Danube between Bratislam and Definations have been immoved according to the recommendations of the Pointibe - capacitor films /special films for electrotechnical industry/
- prototype automatic paciding machines/horizontal and vertical/
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Gabčikovo — a year's experience

The Gabelkovo part of the disputed Gabelkovo-Nagymanos Project on the Danube has been operating successfully for a whole year. This period is long enough to verify the function and safety of the main structure and sufficient also to provide assurances about the development of imports on the surrounding nature, ground

None of the foreight catastraphic impacts has been proved as true. Of course, it is not by chance. The certainty with which the builders of this project proceeded with its implementation, stemmed parity from the knowledge of focal conditions and parity from precautions taken against undestred development.

There are still conditions on the right bank of the Danube which are not satisfactory. The professionals know very well, not only how to compensute the diminished flow, but also how to improve them to a better than "predam" state. The necessary measures form a part of the Hungarian share of work on the Project and the Slovak offer to implement them, was not accepted, it can only be hoped that a more realistic apprach, represented by the opinion of Hungarian professionals, will eventually be indepted.

VODOHOSPODÁRSKA VÝSTAVBA

Slovak Republic

But 11 months after jubilant crowds ush-

ered in the Siovak republic the stocky 51 year old Prime Minister's opinion poll rat-

ing is languishing as doubts accumulate over his ability to lead this nation of 5.3m

towards a prosperous, secure and demo-

Last month, in an ornate, gilded room in

the former Archbishop's palace which now

functions as the seat of government, Mr

Meclar parried questions about his ability

to retain loyal support and political allies,

his attitude to ethnic minorities and more

powerful neighbours, his prospects for the

economy and his vision of Slovakla's

On the hustings he jabs the air with his

finger, cracks jokes and extracts belly

laughs from the crowd. In private he is extraordinarily immobile, big but not fall, with a strong handshake and expression-

less face in which only his eyes seem to

move. During 90 minutes of conversation there were no flashes of inspiration, no

vivid phrases, no clear vision of the future Slovakia. Just flat words,

democratic system and democratic institu-

tions; introduce market mechanisms; guar-

antee the security of the state and ensure

integration with the European Commu-

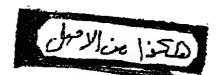
nity." Slovakia, he adds, is in transition from one system to another "in the midst

of a dangerous river and moving from one

bank to another". It might take five years

"We have four priorities; to establish a

cratic future.



### THE SLOVAK REPUBLIC III

VLADIMIR MECIAR will take his place in the history books as the man who led Slovaks to independent statehood, write ANTHONY ROBINSON and PATRICK Profile: VLADIMIR MECIAR pioneered Slovak statehood - now he must make it work

# Odd man out with a will of steel

Buoyed up by the strong showing of the former communistera parties in the recent Polish elections, the Party of the Democratic Left (SDL), led by the youthful Mr Peter Weiss, is pressing for early general elections and hoping to administer the coup de grâce to the current prime minister and his demoralised HZDS.

Is Mr Meciar worried by the left-wing threat? Would he be prepared to become. say, Minister of Transport, in a future coalition government led by the former communists in which the HZDS was relegated to a junior role?

He is not amused by the question. "All this talk of elections is premature. If there are to be elections I will decide the timing, and the results will not turn out as my opponents think. The HZDS is a pragmatic, non-ideological party of the centre. It is true we are under attack from left and

sight, but we are a stabilising factor in Slovak politics.

"At the last election my opponents accused me of being an StB and a KGB agent and a rapist of small children, but my party went on to become the largest party with 38 per cent of the vote and we formed the government, not them." His reply revealed the kind of steely will

to power which his various political oppo-

nents have underestimated at their peril before. Mr Meciar has shown in the past that he is never more dangerous than when his back is against the wall. A former close political aide describes him as " a genius at outmanoeuvering his rivals, a player without rules who cannot tolerate peers and is driven by his complex personality into a confrontational approach both at home and abroad."

Appointed as premier of the Slovak part of the Czech and Slovak Federal Republic after the June 1990 elections, he was deposed nine months later when he lost a vote of confidence in the Slovak parlia ment, Behind the vote lay dislike of his authoritarian ways among the liberal and Christian Democratic members of Slovakia's People against Violence, the anti-communist equivalent to the Czech Civic Forum, and disquiet in Prague at the increasingly separatist tone of his pro-

Deprived of power, Mr Mediar became an placable foe of the new government led by Mr Jan Carnogursky, and whipped up growing popular resentment against both the "morally superior" attitudes displayed by the federal President, Mr Vaclav Havel, and the Bratislava government which he portrayed as unable to stand up for Slovak economic and political interests.

49 035 sq km

factories and other big plants dependent on Comecon trade soared to four times the Czech level, the tireless Meciar barnstormed the country, whipping up nationalist fervour and promising to raise Slovakia's status in the world, complete the controversial Gabcikovo dam project on the River Danube and improve the economic and moral wellbeing of its people.

Portraying himself as a martyr sacraficed on the altar of Czech arrogance and Slovak government weakness, the onetime boxer and largely self-educated enterprise lawyer, reached a peak of popularity at the general elections of June 1992 after addressing packed crowds in pre-electoral

After his first post-election meeting with Mr Vaclav Klaus, the victor in the Czech elections of the same date, it became clear that the self-assured, fanatically pro-market Czech leader preferred a quick divorce from Slovakia to endless recriminations and a loose confederal arrangement which would have left the Czech republic footing much of the bill for Slovakia's greater internal autonomy and higher profile

Both men had a unique opportunity to appraise the other. Whatever his private thoughts Mr Klaus has taken care never to criticise his Slovak counterpart in personal terms, and makes it understood that, whatever his reservations, he fears that whoever comes after Mr Meclar could well be worse.

Mr Klaus, who has a Slovak wife and campaigned for Slovak votes during the 1992 election campaign, recognised that Mr Meciar faced a harder task, with far fewer resources, in building his new state.

The Slovak leader acknowledges that "founding the new state brought many problems. The Czechs started preparing the technical basis for the divorce in January 1991 but Slovakia only began from July 1992, While the Czechs inherited the federal institutions there were no equiva-

As unemployment in the Slovak arms lents to these Prague based institutions in Slovakia." At the same time the divorce left the new Slovak state with a legacy of over-sized arms, heavy engineering and consumer goods factories orientated towards the defunct Comecon market.

Since January, he points out, the government has gained international recognition, joined a raft of international institutions, including the IMF, World Bank and



EBRD, set up a new independent central bank, created a separate national currency, and forged a national army.

But, after recounting the achievements of the last few months, Mr Meclar com-plained that all this had been done against the background of what he described as "a campaign of hatred against Slovakia and a wave of hostile propaganda which assaulted Slovakia and its official repre-sentatives". When questioned about Slovakia's image, however, Slovak diplomats ruefully concede that in many cases the problem has been created by Mr Meciar's own abrasive style. The issues which have provoked most international criticism include the unilateral decision to go ahead

with completion of the Gabcikovo dam despite Hungarian objections, and insensitivity to the human and other rights of ethnic Hungarian and gypsy minorities. These are all complex issues with no easy solution. They cry out for quiet diplomacy and a search for reasonable compromise.

But subtle diplomacy and a desire for compromise are not easily associated with Mr Meciar's confrontational approach to political problems. Like most of the grey men in his cabinet and Mrs Anna Nagyova, his blonde special adviser on international as well as domestic issues, Mr Meciar speaks no foreign languages apart from the closely related Czech and a smattering of Russian. But he insists on representing Slovakia abroad whenever

In an international setting he always looks the odd one out, even among a gathering of fellow leaders from post-communist Europe. At this year's annual international get-together in Davos, Slovak diplomats watched in despair as the Mr Meciar and his group sat talking among themselves in Slovak as other leaders split into ever-changing informal groups exchanging gossip and building informal

At a recent summit meeting in Budapest of the Central European Initiative, the 10 nation grouping which includes Italy and Austria as well as eight central European states, the Slovak leader fiddled constantly with a recalcitrant translation machine as Mr Klaus, the Czech leader, replied to

On his return from Budapest Mr Meclar announced his intention to obtain new fighter aircraft from Russia to counter-balance similar purchases by Hungary, raising the prospect of a mini arms race between states with ethnic minorities on both sides of the border.

Mr Meciar does not compare well with the founders of the original Czechoslovak state. Having led the move to independence he seems to lack the human and political skills needed to inspire Slovak citizens of all ethnic groups to make the best of their difficult inheritance. What is more, having won independence, he seems to underste the importance of building bridges in this potentially dangerous region for a small country with suspicious neighbours.

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Initially its customers were

mainly state institutions. Now

they represent less than 70 per

cent of its portfolio and VUB, like other Slovak banks, must

raise provisions for bad debts from both the state and the

Like a giant jigsaw puzzle,

often shaky private sector.

### ■ POLITICS

# The centre is strained

THE victory in Poland of uty chairman, have spent the leftwing political parties with last four years trying to shed communist roots only four years after the collapse of communism throughout eastern Europe is leading to a reappraisal of political probabilities throughout the former communist world, writes ANTHONY ROBINSON

Transition of the state of the

Contract to the second

The Polish left's turnabout has aroused particular interest. in Slovakia, Poland's southern neighbour, where the Party of the Democratic Left (SDL), led. by Mr Peter Weiss, closely resembles Poland's Democratic Left Alliance guided by Mr Alexander Kwasniewski.

In Poland, the election results were as much a defeat for the fragmented anti-communist parties of the Solidarity-era opposition as a victory for the re-packaged communist-era politicians

There are similarities in Siovakia where the centre stage is tenuously held by the Movement for a Democratic Slovakia (HZDS). This movement, a loose alliance bound together. more by the personality of Mr Vladimir Meclar than any ideological cement, was formed in 1991 after the disintegration of Slovakia's "velvet revolution": alliance called People Against Violence (VPN).

To its left the HZDS is challenged by the neo-communists, to its right by the Christian Democrat party (KDH), led by Mr Jan Carnogursky, the Slovak National Party (SNS) led by Mr Ludovit Cernak, and smaller parties representing

ethnic Hungarians. But the ability of the HZDS to command the centre ground has been undermined by the mability of the government to deliver the promised economic recovery and growing disillu-sionment with the suspicious, combative personality of its

The erosion of confidence in the HZDS and deep, often personal animosities, between leaders of the non-communist parties has inevitably rebounded to the benefit of the former communist SLD. Like their Polish counterparts, Mr Weiss and key aides such as Mr Pavel Kanis, the SLD dep-

last four years trying to shed the stigma of the Soviet-imposed communist past, and present themselves as a respectable, democratic party, eligible for membership in a future government coalition. At the last elections in June

1992 the SLD already emerged as the second largest party with 28 seats in the 150 seat Narodna Rads, the single chamber Slovak parliament. The SLD was dwarfed by the HZDS which won 74 seats won but came out well ahead of the Slovak Nationalist Party (SNS), which was the only party to stand unambiguously in favour of Slovak independence. The SNS won only 15 seats and agreed to become a junior coalition partner in the post-election HZDS-SNS gov-

This government collapsed last March when Mr Ludovit Cernak, the SNS leader, took his party out of the coalition. after attacking Mr Mediar for his alleged authoritarian style and his closeness to politicians

Stalinist memories are illeriy to deter . . a left-wing comeback

such as the Desence and Culture Ministers with shady political antecedents and ties to Czechoslovakia's Moscowdominated past.

Last menth, however, Mr Cernak agreed in principle to take his party back into the government, mainly because his reluctance to risk early elections which the former communists might win proved stronger than personal and political antipathy to Mr Mec-

A renewed HZDS-SNS coalition, still to be finalised at the time of writing, would create a secure parliamentary majority and ensure passage of next year's budget. It would give a reprieve to Mr Meciar whose shaky minority government has been dangerously weak since Mr Milan Knazko, a former actor who was a popular idol of the VPN movement in

Population							
	1992 \$1=	-28.29 CSK					
ECONOMY	1991	1000					
Real GDP growth (%)	-15.8	-6.0					
Consumer prices (%)	56.0	10.3					
Industrial production (%) 1 Convertible currency trade 1	-25,4	-14.0					
Current account balance (\$m)	D.8.	175					
Exports (\$m)	n.u.	3,420					
imports (\$m)	n.e.	3,635					
Trade belance (\$m)	17.40	-205					

KEY FACTS

(1) Until 1991, companies with more than 100 employees and from 1992, compenies of all sizes. (2) 1992 floures are estimates

1989, was sacked as foreign minister five months ago. Mr Knazko left the HZDS after flerce arguments with Mr Mectar over policy towards ethnic minorities and neighbouring mates. He has since formed his own breakaway party, the Allicrats, with eight seats in par-

Source: Deutsche Benk Research

The new altience patches up the government but does not reduce the underlying challange from the former communist SLD or the risk of sharing the fate suffered by Poland's Solidarity era parties. But Slovakia does not share Poland's deeper political culture or its self-confidence as one of the historic nations of eastern Europe. The reform communists, who form the frontline of the Polish Democratic Left Alliance, were committed to reformist politics before being swept from power in 1989 and have been able to attract support from the new business class which has since emerged.

Slovakia has no so such selfconfident past. The communists who ran Czechoslovakia in the Stalinist years and after the Soviet invasion of 1968 were, almost to a man, grey mediocrities who showed an insensitivity bred of ignorance to tradition and theenviron-

Nowhere was the deliberate destruction of the creative and productive middle class more complete than in former Czechoslovakia which before the war, together with its large German and Jewish minorities formed perhaps the most suc-cessful democracy in continen-

tal Europe. And the Slovak part of the old republic, singled out for investment in heavy industry, suffered the most. Given this history, the risk

of a return to power of parties with their roots in Slovakia's communist past is a sobering one. The men who lead th party seem bright and intellirecord of reform to date, many HZDS government. It is diffithat once the reformed commu-

Ironically the widespread sense that the former communists represent the most likely alternative to the HZDS together with the personal rivalries and relative inexperience of the non-communist opposition parties, are the main factors keeping Mr Mec-

# Bank sector's rapid growth

the same time, doubtful loans

□ Contd. from facing page

well as banks from Germany. the Czech republic and Russia. At the end of June total subscribed bank capital was SK11.8bn with foreign participation of SK1.6bn.

Although legislation has been brought into line with western practice, Slovak banks continue to face difficulties in modernising their operations and introducing new technology and services.

gent. But with Slovakia's slow of the old nomenklatura bosses are still running the various bureaucracies, the big state owned factories and the security forces. Several former communists are already in the cult to escape the conclusion nists regained power in their own right it might be difficult to remove them.

iar in power.

"Meciar is a confrontationallst. With him Slovak politics cannot be brought to the level needed to modernise the economy and society," says Mr Igor Uhrik, vicepresident of the SNS and one of a handful of expatriate Slovaks who have returned to contribute their skills and foreign experience to building up the new state. But Mr Meciar is in charge, and while he remains that way he will be the one to choose the timing of the next election to his greatest advantage.

There are other problems. commercial bank, says: "The The concentration of deposits problem is that no institutional with savings banks execerinvestor or company is depositbates a general liquidity shorting money with any bank for a age throughout the banking period of more than one year." system and the economy. At VUB was established on Jan-

slovak State Bank was broken to military and other state up to form new commercial industries made under the communists are forcing the banks. At the time it had 30 branches and about 85 per cent ova Banka (VUB), the largest

banks to sharply raise their had debt provisions. Mr Jan Jansta, senior deputy chairman of Vseobecna Uver-

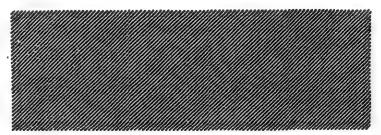
of the Slovak credit market. Since then the VUB network has expanded to 40 branches including one in Prague, and

uary 1, 1990, when the Czecho-

the places are slowly falling into place for Slovakia's young banking sector, but as the country moves towards a market economy, it faces a more urgent problem, Mr Jansta says. "The greatest need is for new capital, not more banks."



SLOVAKOFARMA



### This is Slovakofarma Hlohovec

Slovekolarma, Joint Stock Company, altuated in the west Slovak town Highovec, is the biggest and the oldest enterprise for drug production in Slovalda, its roots date back to the year 1941, when the joint stock company Slovenské alkalokly was founded, a chemical plant for the processing of dry poppy-heads out of which morphine was isolated. The firm became a national company later on and for more than fifty years has developed a production programma of large-scale chemical substances and medicine forms. On 1st May 1992 Stovelofarms obtained the legal status of John Stock Company.

The main range of activities of Stovakofarma, JSC, at present:

 research, development, production, purchase and sale of chemical single and multiple component drugs, pharmaceutical and technical subsidiary substances, medicine prepanutions and drugs for human and veterinary use, cosmetic products, protective working ciniments, tooth-pastes, preparations for fortification and specific modification of feed-stuff, · purchase, processing and sale of medical and aromatic herbs and preparations of them,

Products

The firm is specialized in production of solid dosage such forms as tablets and coated tablets, hard and soft geletine capsules, effervescent tablets, cardiovasculars and gastrointestinals, vitamins, calcium compounds and analgesics including opium alkaloids, as well as chemical substances for pharmaceutical production.

Besides this the division of medicinal herbs based at Malacky, Western Slovalda, Implements the production of teas and lea mixtures in conventional packaging and lea bags, spirit macerales and microbiological diagnostical products.

# CAPITALISM IS NOT AN EXPERIMENT IN CENTRAL AND EASTERN EUROPE. Ondrej Gattnar, PhD., General Director

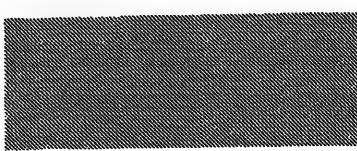
While much of the world talks about Central and Eastern Europe, our more than 30 lawyers in the region already have served as counsel for 50 of the most significant transactions - privatizations, joint ventures and financings totalling in excess of \$1 Billion - in the brief history of this new world.

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Squire, Sanders & Dempsey Bratislava - Brussels • Budapest • Klev • London • Prague Summary of the Year in Figures

in Slovak crowns mil. Year ended December 31, 2,082 1,291 Basic capital Number of employees

Address: Slovakofarma, a.s., Hlohovec Železničná 12 920 27 Highovec tel.: +42 / 804 / 247 41, 247 52 helax: 93810 tax: +42 / 804 / 212 41



SLOVAKIA may be a state without a history, but the grounds for its divorce from the Czech republic have deep historical roots.

The disintegration of Yugo-slavia and Czechoslovakia mark, in their very different ways, the liquidation of the last multi-ethnic compro to survive the collapse of the Hapsburg and Ottoman

empires 75 years ago. In former Yugoslavia the principle of ethnic purity, absurd and tragic given centurles of intermarriage, is being pursued to its bloody end through the mass transfer of people accompanied by systematic rape and pillage. The emergence of separate Czech and Slovak states, by contrast, came about through a negotiated divorce and legal division

of state property.

The underlying historical and cultural differences between the Czech and Slovak peoples are almost as great, or as small, as those between Serbs and Croats. The contrast is due principally to the total absence in the Czech and Slovak case of any tradition of violent conflict between two ethnically and linguistically

The re-emergence of Serbia has revived memories of the medieval Serb kingdom, subjugated by the Ottomans 500 years ago, while the rebirth of the Czech republic has restored, in essence, the King-

IN A large industrial area on

the outskirts of Martin, a small

town lying on the foothills of

the Lower Tatra mountains in

picturesque north-western Slo-

vakia, a sprawling group of fac-

Martin, population 60,000, is

home to ZTS, one of Slovakia's

biggest companies and heart of

the country's once thriving

military-industrial complex.

But military production, which

represented about half of ZTS Martin's output, collapsed in

the wake of the 1989 revolution

that ended communism, and

the company's future looks

Turning the tanks made at

ZTS Martin into ploughshares is more easily said than done.

The decision taken in Prague

mentaln

tories is fighting for survival.

Anthony Robinson traces the tortuous road to Slovak independence

# An amicable divorce

dom of Bohemia. The latter was assimilated into the Haps-burg Empire after the fateful battle of the White Mountain near Prague in 1618 at the outset of the Thirty Years War. Slovakia and Croatia, by contrast, were both junior part-ners in their former federations and share a long history of domination by Hungary. While Croatia enjoyed periods of semi-independence, however, Slovakia was never a sovereign state, except as a Nazi puppet during world war two. Slovakia, including its former large Jewish and gypsy minorities and smaller Ruthenian, Saxon, Ukrainian and other populations, remained under Hungarian domination for almost a millennium. Much of the sometimes almost hysterical tone of Slovak-Hungarian relations is inexplicable without reference to this past

The Slovak leaders who took their country into the first Czechoslovak republic after the first world war did so because they felt too weak to survive on their own. Even in 1919 they wanted Czechoslovakia to be a federal state in which Slovakia would have



enjoyed considerable autonomy. Only reluctantly did they accept the unitary state insisted on by Jan Masaryk and the Czech fathers of the republic, rather than risk a return to Hungarian rule. It was a wise choice. In contrast with the 19th century, when millions of Slovaks had

sought work as masons and builders elsewhere in Europe, the inter-war years of this century enabled Slovaks to strengthen their economy and build up cultural and educational standards with assistance from Prague. The Slovak search for recognition and cultural awareness

took systematic form in 1863

gest city in Slovakia, passed

southern Slovakia following Hitler's rape of Czechoslo-Even Kosice, the second big-

with the creation of Matica Slovenska, the Slovak cultural

foundation. But Slovaks found

their nightmares come true in

1939 as Hungarian power

moved back into eastern and

Patrick Blum visits an unemployment blackspot

emigrated to America, or

# **Unwanted tanks**

has had a catastrophic impact on Slovakia's industry and economy, causing much local bitterness. Between 1988 and 1992, military production which accounted for about 32 per cent of the output of Slovakla's engineering industry

declined by almost 90 per cent.
"It was the hardest blow", says Mr Jaroslav Kubecka. economy minister, "Armament production was virtually liquidated in the course of two years without any replacetary production. Many have been closed down, and some 60,000 jobs have gone, and many more in related indus-

Ironically, the decision that devastated a major part of Slovak industry has since been reversed in the Czech Republic whose government is now seeking export markets for its own military hardware. The Slovak authorities, who encouraged the conversion of military facilities to civilian production, now believe they can re-enter the market, albeit

ditions and on a smaller scale than in the past.

It will not be easy. "No country in the world is able to rebuild all its main industries in two years. Restructuring requires enormous capital investment beyond the capacity of local resources," Mr Kubecka says.

ZTS Martin provides a stri-king example of the efforts and costs involved. In the 1980s. about half of military production in the former Czechoslovakia - which then ranked among the world's top 10 exporters of weaponry - and about 80 per cent of Slovak military production came from ZTS Martin which specialised in heavy equipment, notably tanks, most of which were sold to the former Czechoslovak and Warsaw Pact armies.

In 1988, the company produced military and civilian equipment worth SK14bn (\$450m); it had 13,000 employees, and made a SK1.6bn profit. Last year production was down to SK6bn, its workforce was cut to 9,000, and it made an operating profit of SK32m, but this was wiped out by restructuring costs and mounting debts.

Josef Skrko. Una compa ny's financial director, will not disclose the volume of debt, but says one third is primary debt and two thirds is caused by non-payment by customers. He says about SKIbn of the debt was the result of conver-

The social consequences for the people of Martin have been dire. "Every family in town used to have a worker here." savs Mr Skrko.

The pain is not over. The company has borrowed SK2bn to modernise production lines to improve productivity and develop new products, but there have been more lay-offs since the beginning of the year. Short-time working has been introduced on some lines. and the marketing and strategy department closed recently to save costs. The buildings badly need repairing, and new markets are difficult to find

even for new products such as diesel engines produced under licence from Lombardini of Italy for sale only in former Comecon markets,

The agreement with Lombardini was signed in 1990 with production starting that year on existing lines. The objective was to manufacture up to 40,000 engines a year, rising eventually to 60,000. New equipment and machinery worth SK1.3bn was imported to develop a new production line which is now almost completely installed. Current capacity is 15.000 engines, but even that smaller number is proving difficult to sell as shown by the stocks of new engines lined up in the factory

The ZTS company now produces a wide range of engines, is improving the range of its

The high minded decision to opt out of the arms trade has had a catastrophic effect

tractors, and producing bull-dozers and loaders under licence from Hanomag of Germany with the hope of establishing a joint venture with the German company in the near future. Large engines of 1,000 horse power used in giant trucks are produced under licence from a French company while other products include est tractors. Production o the latter, however, is down to about 150 a year, compared with exports of more than 1,000 such tractors a year to the former Soviet Union. Overall, military production

at ZTS Martin declined from SK10.3bn in 1988 to SK2.7bn last year, but production of the heavy T-72 tank and other armaments has resumed. "As far as we could see, other countries including members of the Conference on Security and Cooperation in Europe continued to sell their armaments and nobody really helped us to convert our factories. We think we should do what we are able to do, though the situation now is more difficult because kets to competitors," Mr Skrko says. Foreign interest in the T-72 tank remains high, espe-cially from potential third world buyers with little cash.



hack under the control of Hungary's crypto-fascist regime while nominal autonomy over the rump of Slovakia was given to a clerico-fascist regime led by Father Jozef Tiso. The spectacle of Hungary's Admiral Miklos Horthy the war. riding on a white horse in triumph through the streets of Kosice cheered on by its ethnic Hungarians is still remem-

recounted to their children. More than 60,000 Slovak Jews were deported to concentration camps along with unknown thousands of gypsies during the Tiso regime. Those who lived in the Hungarian occupied regions met the same fate in 1944, after Hitler seized power from Admiral Horthy and imposed direct rule on his former ally. As Soviet forces advanced from the east a sometimes bloody settling of scores took place. Thousands of ethnic Hungarians were deported from eastern and southern Slovakia, mirroring the expulsion

bered by older residents and

During the war the Nazis built up Slovakia as a powerful centre of arms production. Central Slovakia in particular was out of range for allied bombers but conveniently close to the Russian front. As the Cold War developed and Stalin tightened his hold on Czechoslovakia after the Prague Coup of February 1948 the tightly centralised commu-

of 3m ethnic Germans from the

Czech Sudetenland

nist regime continued to invest heavily in big arms factories. In the 1960s the the East Slovakian Steel Works (VSZ) was built outside Kosice by Czech engineers with Czech equip-

ment. The completed plant

used iron ore transported over 1,000kms from Krivoi Rog in Ukraine. Its steel was needed for the arms industry and the other heavy engineering plants set up in what was still a largely rural country before

The close integration of the Slovak economy with the Soviet military machine and

A rough start, but there is no turning back from attempts to join a wider **European Community** 

the Comecon market was reinforced by construction of the Slovnaft oil refinery at Bratislava, the main terminal of the Druzhba oil export pipeline. Moscow's refusal to risk losing its strategic control lay behind the crushing of the Prague spring in 1968 and the humiliating removal from power of Alexander Dubcek, the Slovak communist who endeared himself to Czechs and Slovaks alike by his espousal of "socialism with a human face"

Vladimir Meciar, the current prime minister, was among those purged from the communist party in 1969 as the Slovak apparatchik Gustav Husak was appointed by Moscow to "nor-malise" Czechoslovakia and create a phoney federal state which gave greater autonomy, but only on paper, to Slovakia After 20 years of "normalisation" the loose anti-communist. coalition calling itself "People against Violence" celebrated the victory of the velvet revolution in Bratislava as its

Czech counterpart, the Civic

Forum, spearheaded by the writer Vaclav Havel, celebrated the downfall of communism in the streets of Prague. The superficial unity of both coalitions soon broke apart. however, accompanied by a bit ter dispute over the economic impact in Slovakia of decisions made by high-minded politicians in Prague and over the name to be given the newly

democratic Czechoslovak state. For months debate raged over a hyphen. Was it enough as most Czechs argued, to call as most execus argued, to can the new state the Czecho-Slo-vak Federal Republic or was it to be called the Czech and Slo-vak Federal Republic. Behind the war of words nationalist and separatist emotions were whipped up by new politicians in both countries who sought new ways to identify them-selves and their movements or

The defining moment came with the elections of June 1992. Czechs voted for rapid market reforms and integration into Europe under the leadership of Vaclav Klaus while Vladimir Mecian's ill-defined nationalistpopulist Movement for a Democratic Slovakia (HZDS) and the avowedly separatist Slovak National Party won the elec-

tions in Slovakia. Since that date the two nations have moved rapidly apart. After six months of detailed, top level negotiations between the Czech and Slovak leaders and their closest advisers, the two nations formally divorced on January 1, 1993. Slovakia gained its sovereignty and independence under M Meciar, whose espousal of Slovak nationalism only really took off in 1991 after he was removed as premier of the first elected post-communist gov-

Six weeks into independence the political divorce was fol-lowed by the division of the former common currency into separate Czech and Slovak crowns. Six mouths later the once invisible border was clearly demarcated, institutionalised and patrolled by armed border guards. Suddenly, and unintentionally, Slovakia found itself on the wrong side of what has become in effect an Bast-West border, thanks to a deal worked out by Bonn with its immediate neighbours the Czech republic and Poland to help implement Germany's tougher new asylum laws.

If has been a rough start for the new Republic, made worse by a collapse in bilateral trade with the Czech republic, rising anemployment and recession in western markets. But, aware that there is no turning back Slovaks have to press shead with building their new state into a viable member of a future enlarged European

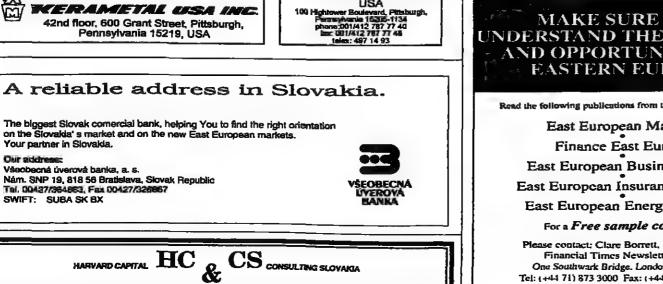
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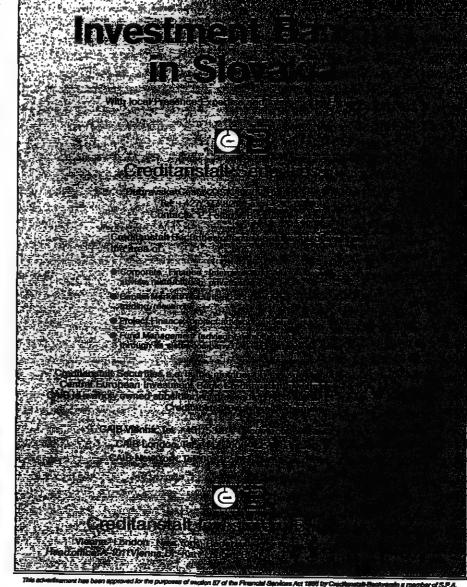
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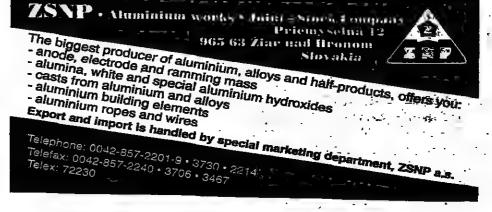
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# Employers must justify unequal pay



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Appliant for the same

that the equal pay provisions of the require provisions of the employers to demonstrate an objec-COURT tive justification of the existence of. appreciable differences in pay between male and female workers

doing work of equal value.

The Court's ruling was made in a case referred by the English Appeal Court involving a female speech therapist, who brought an action against her applicants for action against her employers for sex discrimination

gists or principal pharmacists, which are largely staffed by men. The European Court of Justice was first asked whether employers were bound under the EC treaty

provisions to justify objectively differences in pay such as those which had occurred in this case. The Court said that, although normally the onus of proving alleged facts in support of a claim lay with the claimant, the burden should shift when it was necessary to avoid depriving workers, who appeared to be victims of discrimination, of any effective

equal pay. It then said that, in spite of the fact that the circumstances of the present case did not constitute de facto discrimination, they did constitute a prima facie case of dis-

means of enforcing their rights to

Given that workers would be unable to enforce their rights to equal pay before national courts if evidence of a prima facia case of discrimination did not shift tha burden to the employer of showing that the difference was not in fact discriminatory, the Court ruled that, in circumstances such as those of the present case, it was for the employer to show that an objective justification existed for

the difference in pay.

The Court was also asked The Court was also assets others a Comparison, CF1 2CH, whether it was sufficient justification for the difference in pay if the October 38 1983, rates of pay for the jobs in question had been decided by collection ha

European the fact that rates of pay had been Court of Justice decided by such processes did not preclude a finding of prima facie preclude a finding of prima facie discrimination, where the results of the collective bargaining showed that two groups with the same employer and the same trade

union were treated differently.

The third question asked by the English Appeal Court was whether or to what extent the fact that the differences in pay were attributable to a shortage of candidates for one job and the need to attract them by higher salaries could serve as objective justification for the new differential tion for the pay differential.

The Court said that such a find-

ing of fact was for the national Mrs Pamela Enderby Claimed that her pay, in a profession that it the national court was able to determine what proportion of women, was less than that for the increase in pay was attributmembers of comparable profes-sions, such as clinical psycholo-gists or principal than that for the increase in pay was attribut-able to market forces such as those suggested the proportion of those suggested, the pay differen-tial would be objectively justified to the extent of that proportion. If, on the other hand, the national court had not been able to determine the particular proportion, then it would have to assess whether the role of market forces in determining the rate of pay was significant enough to pro-vide objective justification for part

or all of the difference. C-127/92: Enderby v Frenchay Health Authority and health secretary, ECJ FC, October 27 1998.

Application to reopen Commission merger preceedings inad-

An application by third-party shareholders for the annulment of a decision by the European Commission refusing to reopen its merger proceedings in relation to a particular transaction has been ruled inadmisable by the European Commission of Institute Commission of Commission pean Court of Justice.

The Court said the applicants they were directly and individually concerned as required by the Rome treaty provisions. The Commission's decision that

the transaction between the two companies did not fall within the scope of the merger regulation did not of itself affect the substance or extent of the shareholders' rights.

T-83/92 Zimis Holding SA and others n Commission, CF1 2CH, October 28 1953.

nglish arbitration law, probably the best system in the world, is far from per-fect. But it is made worse than it need be by the unjustified assumption of most arbitrators and lawyers that they are bound to follow the adversarial and predominantly oral procedures developed in the English civil courts.

This shortcoming, together with other orthodoxies which drive arbi-tration away from London to friendtier and cheaper shores, has been tackled in a draft arbitration bill, drawn up by the Departmental Advisory Committee on Arbitration, chaired by Sir Johan Steyn, the

Appeal Court judge.

If adopted, it would improve
English arbitration law and make it more understandable. With those objectives in mind the committee entrusted the drafting of the bill to a privately financed group (although it was revised by a parlia-mentary draftsman) and instructed it to follow the structure of Uncitral's Model Law of Arbitration, now followed by the legislation of

Many of the substantive provisions of the bill would make English arbitration law more acceptable internationally. For example, recent decisions by the Court of Appeal have reversed the orthodox view that disputes as to whether a contract was invalid from its beginning always fell out-side the arbitration clause. The Appeal Court decisions confirm that the arbitration clause is separable and survives an invalid contract. To make sure that this useful advance is not overturned by the House of Lords, the committee has included a separability clause in the bill.

# Light in arbitration's obscure corners

A H Hermann examines the Steyn committee's draft bill

But the committee was not so daring when it came to the question of the arbitrator's power to decide that he has jurisdiction to hear a case. The arbitrator's decision can always be appealed to a court. That is as it should be. However, the process is greatly abused by parties who wait to see whether the result of the arbitration is to their liking. of the arbitration is to their liking before launching an appeal.

A decision, at the end of a long arbitration procedure, that an arbi-trator did not have jurisdiction makes the resolution of a dispute unnecessarily expensive. For this reason the Uncitral Model Law requires that any appeal against the arbitrator's exercise of jurisdiction must be made at the beginning. The

committee, however, shrank from following the Model Law on this. Explaining this and other aspects of the draft bill at the Freshfields arbitration lecture recently, Sir Johan, agreeing with a recent Law Commission report, said he did not see why arbitrators should be obliged to follow the courts' technical rules of evidence.
This was particularly true in rela-

tion to the labelling of technical and production records as "hearsay" evidence. Appellants without a proper issue of law on which to

I THINK I PREFERRED THE OLD ADVERSARIAL ORAL ARBITRATION PROCEDURE

base an appeal often argued that such records were "hearsay" and not admissible evidence, and that on which they could base an appeal. The bill would avoid all this by providing that "the tribunal shall determine all procedural matters including the admissibility, rele-

vance, materiality and weight of anv evidence". This provision of the bill also ought to do away with the widely

tors and lawyers that they are bound to adopt the purely adversar-ial and predominantly oral proce-dures peculiar to common law jurisdictions but unknown in half the industrialised world.

Sir Johan said he could see no justification for such an assumption, either in statutory law or in precedent. If adopted, the bill would make the English arbitration procedure both faster and cheaper.

The committee did not, however, held assumption of English arbitra- adopt any recommendation on the field College, University of London

crucial difference between the English and most other arbitration systems which allow awards to be made according to a perception of tionally recognised principles of law. The orthodox English view is that arbitration clauses allowing the arbitrator to go by his con-science rather than by the law clauses commonplace in civil law countries - are invalid in England.

Sir Johan appears to sympathise with the Model Law where it provides that, if parties agree, the arbitrator may decide according to what appears to him to be right and fair.
The Court of Appeal moved in this direction and towards the recognition of the lex mercatoria - the free floating "international law of merchants" - when it held in the 1987 Deutsche Schachtbau case that it was not against public policy to enforce in England a Swiss arbitration award applying "internationally accepted principles of law governing contractual relations" – lex mercatoria for short.

If this is not against public policy in the case of a foreign award, why should it be against public policy in the case of an English award? To adopt the Model Law approach would bring English arbitration closer to the conciliation procedures favoured not only in civil law countries but also in the Far East and particularly in China, with its fastgrowing economy reaching out for more intensive international trade. The Steyn committee has not dared

The author is DJ Freeman senior research fellow in international trade law at the Queen Mary and West-

### Michael Smith on the European Commission's intervention in plans for a Portuguese power plant

### he European Commission has demonstrated through its intervention at a Portuguese power plant that it will pursue its ambitions to liberalise the European electricity market

in spite of strong opposition.

Using European competition law, it has restricted to 15 years the period in which Electricidade de Portugal, the state-owned monopoly, will have exclusive rights to the electricity that will be produced from a power plant at Pego which is due to be completed in 1995.

The consortium building the plant, including the UK's National Power, had expected to have 28 years of exclusivity. It says it will not be hurt by the change, owing to a compromise deal with the Com-mission. But the EC intervention has set a precedent that, say EDP's lawyers, could affect the funding of future power stations in Europe. The Pego case comes at a time

in transmission systems. Large sections of the European

Burst of competitive energy Parliament agree. MEPs have supply along the lines the Commis-

hard to gain acceptance for its "third-party access" plans, which are aimed at liberalising the European gas and electricity markets. It argues that a free market in all goods throughout the Community can be achieved only if energy is tradad without restrictions imposed by monopolies. Competition would force a reduction in electricity prices, it believes.

Most of Europe's electricity companies, and in many cases the states that own them, have put forward arguments against the Commission's proposals. Unbridled cross-border competition along the lines proposed by the Commission, they say, would endanger security of supply. It would also reduce incentives for companies to invest

tabled 324 amendments to the 30 articles in the third-party access directive. If the directive is adopted, it is likely to be in a much

diluted form. However, the Commission has made it clear that it will use existing law to ensure that monopolies cannot exert what it considers to be too much influence over markets. Its chief tool is competition law, including article 85 of the Treaty of Rome prohibiting restrictive agreements which distort trade between states. The Commission's interpretation is that an exclusive supply obligation of more than 15 years is

Ironically, the Portuguese electricity system is making considerable progress in introducing competition in energy generation and sion hopes to achieve through its third-party access directive.

The Pego plant, which may eventually supply about 10 per cent of the country's electricity, is being built by a consortium that includes National Power, Electricité de France and Endesa - the UK, French and Spanish utilities - as well as EDP. Most European countries would baulk at providing such

an inroad for foreign companies. The Commission therefore apparently tried to avoid damaging Portugal's progress. It agreed that, after a 15-year exclusive agree-ment, Tejo Energia, the company set up by the consortium to operate Pego, will be able to sell surplus capacity to third parties providing

EDP does not need it. That harms none of the deal's

vided with all the electricity it needs from the plant, and the con-sortium is likely to find ready buy-ers in other countries, including Spain, for any excess.

But such a compromise may not be so easily achieved elsewhere. Countries without the capital to build the power capacity they need - especially in southern Europe -

may find it more difficult to gain funding from the private sector. "Banks want the certainty of a strong revenue stream over a long period if they are to provide funds. The danger is that the Commission's approach will restrict the way that finance is raised," says Mr David Marks, a partner with McKenna & Co, a law firm that advises on big power projects including Pego.

The Pego decision and others that follow are likely to prove fertile ground for merchant banks and

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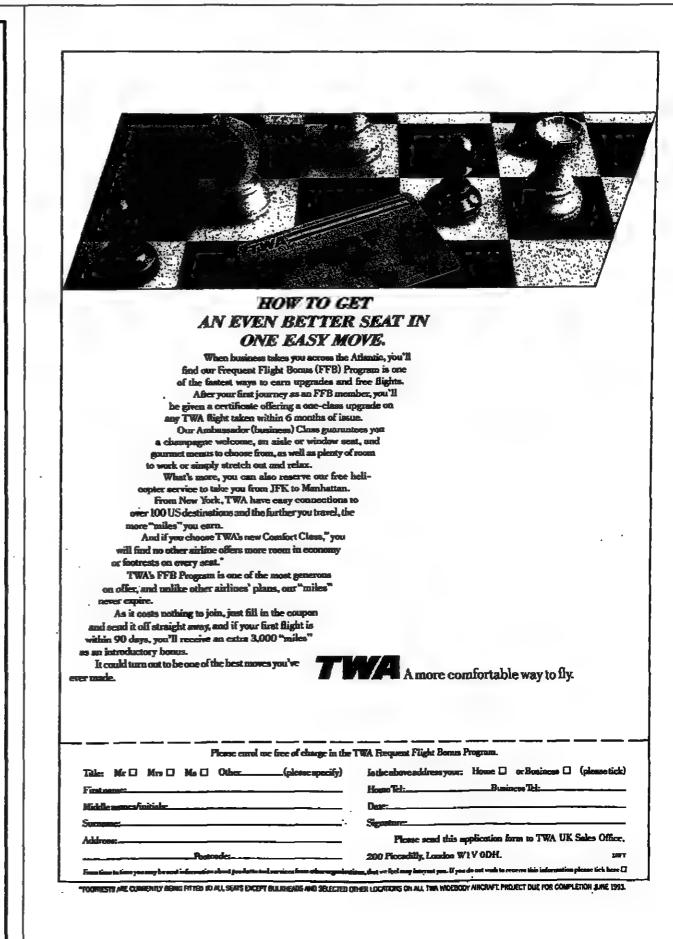


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# Science turns to ancient diets

rchaeologists and water A scientists are joining forces to identify the dlet and diseases of people living thousands of years ago, by studying their semi-fossilised faeces.

The Institute of Archaeology at University College, London, is working with Thames Water's Spencer House laboratory in Reading to develop the new gene amplification technique of polymerase chain reaction (PCR) for use on "paleo-faeces".

According to Mark Spigelman of the Institute of Archaeology. these are quite common in dry parts of the world. "In the southwestern US, there

are cave-fulls of the stuff," he says. 'My oldest specimen is from a 19,000-year-old campsite in Egypt." Spigelman, who has already used PCR to find traces of tuberculosis oacteria in ancient skeletons, believes that paleo-faeces contain enough surviving genetic material (DNA) to be detected by the

technique. He hopes to identify fragments of genes both from disease-causing bacteria and from the plants and animals in the ancient diet. Colin Fricker, Thames Water microbiology manager, has an obvious professional interest in identifying traces of human

quality.
"We have been developing new methods of detecting E. coli, a bacterium found in faeces, for some time, so it was an incentive to improve the sensitivity and accuracy of these tests," be

faeces, in order to test water

The latest PCR test for E. coll. developed by Thames Water, picks out a bacterial gene for an enzyme called beta-glucuronidase.
The scientists plan first to look for this gene in ancient faeces and

then move on to others. Recent experiments have shown that the DNA molecule is far more robust than scientists had imagined

a decade or so ago. PCR has recently been used to extract and amplify traces of genetic material from insects trapped in amber more than 100m

Clive Cookson

he sight of Chris Waddle missing a vital penalty at a World Cup soccer semi-final three years ago may not appear to have much to do with electricity use, but the behaviour of television viewers after England lost to Germany led to a record surge of power that night.

The management of power demand is a complex task. To ensure it continues to be handled smoothly, from times of normal use to emergencies such as hurricanes, the National Crid - which distrib-utes electricity in England and Wales - has spent £32m on a computerised energy management tem it believes is the biggest and most modern in the world.

Electricity demand in the area

covered by the National Grid can vary between 16,000 megawatts early on a summer morning to nearly 48,000 MW on a very cold winter evening. Power consumption also rises sharply after popular TV soap operas or blockbuster films. Viewers get up after a long evening's viewing, switch on the lights and put on the kettle for a cup of

This is what happened after Waddle and his team-mate missed the deciding penalties at the end of one of the most exciting matches of the championship, televised from Italy. Electricity use briefly shot up by as much as 2,800 MW after the game, equivalent to the output of a very large power station.

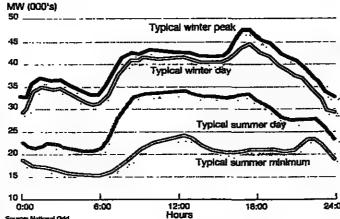
On an average day, enough electricity is used in England and Wales to keep 10m kettles boiling round the clock; in winter, the equivalent is 17m. This is what the National Grid's new system, formally opened last month after 100 days in faultoperation, is designed to manage. From the new control centre at Wokingham, Surrey, with the help of four area centres in St Albans, Birmingham, Leeds and Bristol, electricity is routed around the 7,000km of the country's transmis-

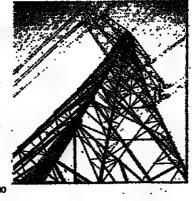
sion routes. By spending some £80m on its new control network (including the energy management system), the National Grid has streamlined its activities and closed two regional sites at Manchester and East Grinstead. It now has an array of new computers and sophisticated software capable of evolving in line

with future advances in technology. The previous system dated from 1970, when the national control centre was at London's Park Street, south of the River Thames. Its Argos computers made by Ferranti of the UK - now the subject of a humiliating 1p a share bid from General Electric Company of the UK - were kept running until earlier this year, although new equipment was also added over the past

"In the early 1960s, we realised we

**Electricity demands in England and Wales** 





# Power to the people

The UK's National Grid has just invested in a sophisticated control network, writes Andrew Fisher

needed to get to the next level of technology," says John Tomlinson, system control manager. After lines of software code (capable of going out to tender, National Grid narrowed the choice down to Fer-ranti and Minnesota-based Empros Power Systems Control, then owned by Control Data of the US but now part of Siemens, the German indus-trial group.

Having decided on Empros, which has more than 400 energy systems installed around the world, the National Grid went to great lengths to ensure its systems would be as error-free as possible. It subjected the hardware and software to 14 different audits each. Testing was so rigorous that the test plans took up 45 feet of paper.

s a result, the company A believes it has a system which is as reliable as it is possible to obtain. Roger Hunter, EMS project manager, is suitably cautious, however, when he says: 'As far as we know, at the present time, there are no errors." The system was also delivered on time and within budget, a rarity for such big computer projects.

The National Grid went to such lengths to ensure both quality and robustness because it wanted a system which could do much more than its previous one. The Empros

running 46 applications and 40,000 displays) is not just designed to switch energy around the grid system, including the import of power from Scotland (where distribution is handled by the generating compa-nies) and France. It also has a far greater capacity to deal with emergencies such as freak storms or terrorist bombs.

To ensure the utmost degree of fail-safe security, each centre has three big Cyber computers from Control Data for normal, stand-by and emergency use. If a disaster causes the Wokingham centre to go down, national control can be switched to St Albans which controls the London region.

Here, there is a fourth Cyber, normally used for training - faults such as those caused by the 1981 blizzards have been modelled into the simulator with frightening realism - but which can be switched to run the whole grid. "You can't have a day off while you put something right," says Tomlinson.

In the old system, this degree of integration did not exist. Nor was it able to perform advanced applications at a level far beyond the normal ones of monitoring power flows, voltage levels and other daily

With the Empros equipment, says Hunter, the grid system can be subjected to "limits and capabilities never before possible." Readouts on any aspect of the grid system can be obtained in seconds rather than minutes: 22 000 separate items of information are checked every five

This vast flow of data is needed not only to update the rate of daily power flows from the privatised energy groups to the regional electricity companies (who own the National Grid), but also to deal with the unexpected.

"This system can handle the most onerous of power station conditions," adds Hunter. The Empros system was tested to see how it would stand up to all types of use from normal demand to the impact of lightning strikes and hurricanes.

Now its system is in operation, the National Grid is keen to work with Empros and Slemens, on foreign contracts. "The whole market place is worth nearly \$1bn (£714m)," says Tim Kenealy, general manager of Siemens Empros, which has a share of around 20 per cent. He sees strong possibilities in eastern Europe and other developing areas, despite scarce funds, as well as in industrialised countries wanting to update electricity distribution.

Nancy Dunne on a new a software system which will aid analysts

# The world's data at your fingertips

n 1990, China spent \$2m (£1.4m) on US motor vehicles. The figure for this year totals as much as \$230m for the first six months alone.

US vehicle sales have been rising throughout Asia. Between January and June, sales increase in Japan by 4 per cent over the ame period of 1992. In Taiwan, they jumped by 11.4 per cent, but in Hong Kong they scared by 543.7 per cent.
These trends were gleaned from

US Commerce Department data. Normally, they would take weeks to spot, but a new computer software system called World Trade Atlas now brings the figures to trade analysts and exporters in seconds.

Donald Brasher, president of Global Trade Information Services (GTI) of Columbia, South Carolina, wrote the program.

As a trade consultant to Thailand and Bangladesh, he saw the need for increased access to international trade data through computer technology and improved data for policy decision making.

One of his clients recently requested information about the US wood trade in the wake of the spotted owl controversy, which froze logging on many federal lands. A few seconds of key pushing revealed a 53 per cent increase in the value of rough wood exports to Japan and one of 56 per cent to China in the first half of this year, while the volume of exports remained flat. The conclusion was that price rises, averaging more than 50 per cent, had failed to depress

The development of CD-Rom technology and subsequent price reductions which make it available to small entrepreneurs are driving the information revolution, says Brasher. The World Trade Átlas is a prime

Anyone can publish a CD-Rom," he says, noting that CD-Rom players are rapidly becoming standard personal computer peripherals. After six months on the market, Brasher predicts sales of between \$200,000 and \$300,000 this year.

He has only 15 subscribers. but they are important ones. They include the US Chamber of Commerce, the American Association of Exporters and Importers, the International Footwear Association and the Retail Industry Trade Action Coalition. Their numbers are growing. Brasher expects to have between 40 and 50 clients by the end of this year and at least 100-200 by the end of 1994.

market the program globally. Next year, he expects to add EC and Japanese trade data to the program and he may include numbers from Chile and Canada. Each month, Brasher updates the software from data acquired from US government computer tapes. It is reorganised and sent to subscribers by express mail

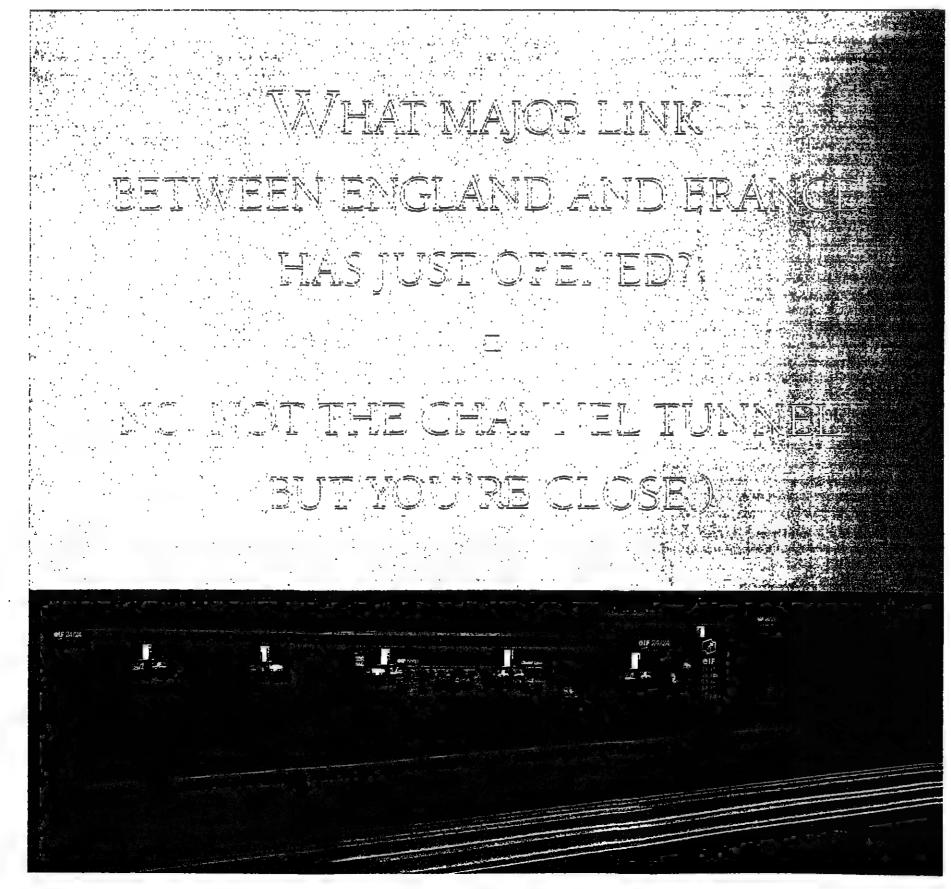
GTI is signing leading international distributors to

on a CD-Rom disc. The World Trade Atias provides information for a three-year time comparison. By hitting a key, subscribers can: display product and country information; sort data by market share or percentage change; switch from country to product sequencing; compare quantity and average unit price data among countries; shift between export and import data; and check the balance of trade data for the world and individual countries.

The service is particularly helpful for exporters, Brashen

Brasher learned the ways of Commerce Department data production when, as a young analyst there, he helped to reconcile the differences between US import statistics and Hong Kong's export figures. Now, the Commerce Department is his chief competitor. It sells a system which transmits information electronically. Although it cannot produce trends in seconds like the World Trade Atlas, it has become more accurate since the introduction of an automated interface that reduces data entry

The atlas is sold by GTI on a subscription basis for \$4,920 a year (\$2,880 for educational



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OUR DEDICATION GOES

Richard Gourlay looks at proposals for a private-sector, long-term credit institution in the UK

# A challenge to the chancellor

panies have long yearned for the sort of finance available to Germany's Mit-telstand. If proposals presented by the Small Business Bureau to Cabi-net ministers ahead of this month's secure. long-term Budget are accepted, they may soon

get it.

The idea is for the creation of an independent, private-sector funded, long-term credit institution similar to Germany's Kreditanstalt fur Wiederaufbau (KFW), which would disburse fixed-rate, seven-year

This so-called Enterprise Fund. its supporters claim, would provide funds for expansion on substantially easier terms than anything currently available to UK small and medium-sized manufacturing firms.

Even if the proposal does not make it to Kenneth Clarke's dispatch box - and most pre-Budget ideas floated by the small business lobby do not - the idea is being studied as part of the review of business financing being undertaken by Anthony Nelson, the Treesury economic secretary.

The Enterprise Fund is the creation of Peter Hanratty and Mark
Gheerbrants, bankers at Industrial

Would be the target, effectively positive the Enterprise Fund above Bank of Japan International, and is one of five proposals which will be announced by the Small Busi-

ness Bureau this week.
The new institution would issue 10-year eurobonds guaranteed by the UK government. The authors envisage an initial £2bn being raised over five years, a figure which seems less ambitious set beside the £7bn lent by the KFW in

Germany in 1991.

The fund would lend to compeuies introduced by UK commercial
lending institutions, which would
jointly administer the scheme. The draft proposal suggests banks would start by taking 25 per cent of the credit risk; the fund, and ultimately the government at the time

the bonds were repaid, would bear the remaining 75 per cent. The authors say banks would be encouraged to approach the fund because clients would be pressing for access to seven-year, fixed-rate money (probably at an all in cost of about 10 per cent after a 330-basis point profit for the bank).

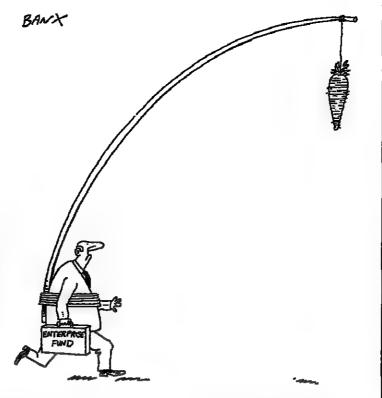
tioning the Enterprise Fund above the cut-off level for the government's Loan Guarantee Scheme.

Because the fund is a private-sec-

tor institution, the authors believe the government's guarantee would not affect the size of the PSBR, a concern that torpedoed proposals for a long-term credit institution two years ago. It is far from clear, though, that this hurdle has been overcome.

The key attraction of the proposed plan is that it would reduce one important area of risk in the expansion of a business - the risk of commercial banks withdrawing credit, Barry Baldwin, head of the Small Business Bureau policy unit, says many businessmen decide not to invest for expansion because bank covenants are too extensive.

They do not allow for quite normal deterioration in financial ratios at times when either the trade or economic cycle has turned down. Enterprise Fund money would be structured, the authors say, with the minimum of onerous covenants.



before maturity.

Academics have welcomed the initiative. They argue the UK has suffered from the absence of a KFW or Japan's three, long-term credit institutions, which played a big role in post-war economic reconstruc-

But there could be considerable resistance from the commercial banks, without whose co-operation

Only in exceptional circumstances cially, they would need to be con-would loans become repayable vinced the new institution could work alongside them and would not compete for business.

Given the chequered history of the Loan Guarantee Scheme, where default rates have been relatively high, the government would also need to be persuaded it is not being asked to guarantee what are effectively unbankable propositions.

 Mark Gheerbrant - 071 489 6843. \*\* Road to Recovery - Small Business Bureau, 071 976 7262.

# -In a-Nutshell

### Firms fail to benefit from single market

The European single market appears to have been a non-event for most small and medium-sized UK manufacturing businesses. According to Pera International, the management and technology consultant, 70 per cent of those interviewed for a survey\* said they had derived no business benefits since borders were formally removed on ! January

The research demonstrates that British reluctance to exploit new opportunities stems from continued export difficulties, additional expenses and the effects of the recession. Less than half of all UK respondents found transportation or paperwork easier since the start of this year. one quarter stressed the difficulty of meeting new EC technical quality standards.

\*Opportunity or Threat: The Single Market Reality for SMEs. available from Ann Fitzgerald. Pera International, Pembroke House, Lydiard Millicent, Swindon, Wiltshire, SN5 9LS. Tel: 0798

### Changing terms for commercial agents

Businesses which use commercial agents have been giving them notice to avoid the impact of European Community regulations.

The regulations, which cover the legal relationship between the parties and come into effect on January 1, generally strengthen the position of agents. in particular they provide for compensation where an agreement is terminated by the principal other than for breach of contract (for fuller discussion see FT Growing Business page, 27 July).

Stephen Sidkin, of London solicitors Fox Williams, reports that some manufacturers and suppliers are reappointing their agents as distributors or franchisees, buying and selling goods for their own accounts. Others are offering them direct

"In brief they are taking on

liability as employers as opposed to facing the quasi-employee benefits which agents will soon

The Department of Trade and Industry issued a draft compliance cost assessment in September which estimated that annual compensation costs could be anything between £5,000 and £80,000 per sales force.

Sidkin points out that unless the notice brings the contract to an end on or before 31 December, companies will have to honour their existing terms as well as comply with the new

### Revising standards for UK managers

Senior management standards developed by the Management Charter Initiative are to be adapted so that they can be applied to small and

medium-sized organisations The MCI, an independent body set up by employers and backed by the government, seeks to improve the performance of UK

managers.
Vlad Stanic, the MCI development director, said it was felt necessary to apply draft senior management standards to the particular needs of smaller organisations.

### Support for the small finn

The role of trade associations and similar small-firm support bodies is discussed in a 37-page booklet which has just become

Written by Ray Parr, previously manager of the Department of Trade and Industry's Small Firms Information Centre in the Midlands and now a voluntee counsellor in a local enterprise agency, it sets out to help readers choose the most appropriate representative organisation. It details the cost of membership as well as listing the services

Parr believes the value of support is often overlooked. "All too often attention is concentrated on that essential and often necessary trip to the accountant, bank manager and solicitor, but that should not

obscure the potential of a fourth leg to the support framework." "Any other Body is published as a private venture, price 22.95. It can be ordered from Caterpiller Publishing, Caterpiller House, 19 Donnington Drive, Christchurch, Dorset BH23 4SZ

# Happy to be cut down to size

ean Titterington confides that the lack of formal structure, he and management consultancy. his friends thought him adventurous, if not foolhardy, when he joined a small, impecunious company after 19 years with a UK clearing bank. His instinct was to look for an employer of a similar size when he opted for redundancy from the Royal Bank of Scotland, rather than relocate.

Titterington, a marketing manager, assumed his temperament and experience would be better stated to

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1 Apr 🞏

a big company, One hundred falled applications later he welcomed the opportunity to join Laser Graffx, a small Hertfordshire-based company employing 16 people. Today he admits those previous assumptions were incorrect ones. Although he gets frustrated at times, particularly over negation a London-based training when we moved to new offices over former director of information

Blacksto

Franks

enjoys the challenge of a business that has to respond quickly to changing customer tastes. Titlerington is one of the thou-

sands of managers who have suc-cessfully moved from a big company to a much smaller one. But according to Oliver Johnston, national campaign leader for economic development at the Indus-trial Society, most people making the transition can benefit from professional training.

There are many sources of such (PECs) and run by Enterprise Part-

The scheme matches the skills of professionals and managers who have been unemployed for six months with the needs of small companies. After two weeks of training, managers are hired on short-term contracts and may be offered full-time employment at the end of the placement. Previous

courses have had success rates of

over 50 per cent. Linda Stoker, managing director of Dow-Stoker, a small business which provides training courses expertise a business schools, for example - but one of the most recent is a scheme called Connect for Growth finded by London's and some have failed. They have a failed the first standing and enterprise Councils on the school of the most recent is a scheme called Connect who had worked in big companies and some have failed. They have not been able to roll up their releases. We had one person who sleeves. We had one person who

absence. She was also very status conscious and suggested that all the parking spaces in the new offices went to managers. We don't do that sort of thing."

Managers making the move should be prepared to leave behind not only the perks but also many of the qualities that made them successful in a big company, according to the Industrial Society. "An individual may have had up to a 10-year time-frame for planning and been good at it," observes Johnson. "In a small business decisions may have to be taken in 10 minutes."

Some managers, meanwhile, feel insecure in organisations where there may not be formal performance assessment. Geoffrey Burn, a

a weekend was conspicuous by her systems with a large retailing organisation, says: "In my old com-pany I knew exactly where I was. We had clearly defined objectives and formal systems of appraisal. In my new company we have none of that. One can feel insecure."

The suspicion may be mutual. Owner-managers are often alarmed by professional managers, says Mike Anyon, who now works as sales director with RS Colour, a Manchester-based printing company employing 70 people. He used to work for Du Pont and Philips Electronics. "It has to be a two-way learning process. But I am getting a lot of satisfaction from teaching a very enthusiastic sales force the best practice in the business."

Lisa Wood

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### LEGAL NOTICES

No. 008341 of 1993 in the High Court of Justica IN THE MATTER OF GARTMORE PLC

IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HEREBY GIVEN that the Order of NOTICE IS HEREBY GIVEN RIS are over the High Court of Justice (Chancery Division) dated 27th October 1993 confirming the reduction of the Shen Premises, Account of the Company by £35,401,362.09 and the reduction of its capital from £100,500,000 to £20,225,360 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above escationed Act were registered by the Registrar of Companies on 28th October 1993. Stangister and May, (RLH)

Solicitors for the above named Company

STREET, MORREY E.V. CHEMICALS LIMITED TENCO INDUSTRIES LIABITED Nonce is hereby given that the Creditors of the above-named Companies are inquired on or before the 29th day of December 1993 to send in prior names and addresses, with particulars of their Debts or Claims, and the names and addresses of their Solicitors (if any), to the names and accresses to their Joccopist is way, the territories of Brooth White, 6 Raleigh House, Adminas Way, Waterside, London Et 1958 the Lightdatory of the said Companies, and, if so required by notice is writing by the said Legislators, are by their Solicitors or personally to come in and prove their said Debts to Caleng at such lone, and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved. Dated 5th October 1993

PANILLA HOLDINGS BYI LIMITED NOTICE is hereby given that the figure the above samed Company communication at 28th May, 1993 and Corporate Management & Correlations (BVI) Limited of Abbott Building, 2nd Floor, P.O. Box 933, Road Town, Tortola. British Virgin Islands, kas beco app

Legaldance of the Company. Onted this 28th day of May 1903 Harney, Westwood & Riegels

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### **LEGAL NOTICES** IN THE MATTER OF THE INSOLVENCY ACT 1986

IN THE MATTER OF PARC (BATTERSEA) LIMITED (in Administrative Receivership)
NOTICE IS HEREBY GIVEN possuant to Rule
3.9 of the Insolvency Rules 1996, that a secting
of the Creditors of Pare (Ratesseen) Limited will
be held at Not London Retterseen) Limited will
be held at Not London Retterseen) Limited will
to held at Not London Retterseen) Limited will
of clock in the mouring. The Administrative
Receives' report will be presented to the requiring
and the opportunity given to clock a commentee to
represent the creditors.
A Creditor will be existed to vious at the meeting.

and the opportunity given to elect a committee to represent the erections. A Chuliner will be entitled to vone at the meeting only if details in writing of the elect extended to be done to kin by the company have been given to the John Andministrative Receivers at Not London Bridge, London SBI 9QL no later than 12.00 noo on the business day before the day fixed for the menting, and the claim has been admitted in accombace with the Justice later in guest of by pury and a proxy should be lefter in guest of by pury and a proxy should be lefter in guest of by pury and a proxy should be lefter in guest of by pury and a proxy should be lefter in entitled to write only in expect of the halance (if any) of his debts after deducting the value of his security as estimated by him. Creditors who are whelly secured are unjut entitled to be represented or in you. vois.
Dated the 29th day of October 1993
A V Lomas
Solut Administrative Receiver
Pare (Battenes) Limited

# IN THE MATTER OF MOUNTWOOD HOLDINGS LIMITED

IN THE MATTER OF THE INSOLVENIOR RAISE THE MATTER OF THE INSOLVENIOR ACT 1986
NOTICE IS HEREBY GIVEN pursuant to Rule 1.9 of the Insolvenzy Rales 1986, that a macring of the Crotinors of Mountwood Holdings Limited will be bell at No! London Bridge, London SE! 901. on the 17th day of November 1993 at 10.00 o'clock in the moratege. The Administrative Receivers' report will be presented to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given to clock a sound to the meeting and the opportunity given the meeting and the opportunity given to decid a committee to represent the excellions.

A Creditin will be entitled in vane at the sneeding only if decads to writing of the debt element to be due to bins by the company have been given to the Journ Administrative Receivers at Not London Bridge, London SEI 90/L up later than 12,00 arons on the business day before the day fixed for the steeling, and the claim has been admitted in secondars stay would either in person or by promy and a provy should be todged with the Julia Administrative Receivers if possible before the meeting. A securate decided we did any job his debts after deducting the value of his security as estimated by him. Creditors who are whoffy secured are not collided to be represented or to vote.

·- ·: . . . ·

vote.
Deted the 29th day of October 1993
A V Louis
Maint Administrative Receiver
Monatured Heidings United

FINANCIAL TIMES CONFERENCES

# WORLD **TELECOMMUNICATIONS**

### London, 7 & 8 December 1993

This year's annual FT conference will focus on the trends changing the shape of telecommunications worldwide, with particular emphasis on regulation and the methods, challenges and obstacles of privatisation.

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Mr Michel Carpentier Commission of the European Communities

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Mr Michael G Gale Cable and Wireless plc

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Lehman Brothers

Mr James H Quello Federal Communications Commission

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### The vacancy at the top of Bull UK and ireland caused by the elevation of George McNeil to the presidency of Bull Europe has been filled by Philip Crawford formerly managing directory. ford, formerly managing direc-tor of the UK company's ser-Crawford, 41, represents the new face of Bull as the French computer manufacturer struggles to restore growth and profitability. He is young even by computer industry standards and says he has "a lot of

For the past five and a half years he has been developing Bull's services business, now seen as a principal plank in the company's strategy. Starting from virtually nothing, he built

■ Brian Truscott, formerly

dealer development director, has been appointed sales

director of TOYOTA (GB); he

replaces Tony Newnham, who

moves to parent company

Damieu Harte has been

appointed finance director at ALLIED LEISURE; Duncan

Moss has left the company to

joined corporate and financial PR consultancy Fishburn

non-executive director of WATSON & PHILIP, is taking

while the chairman and chief

executive, Ian Macpherson, is in hospital; David Bremner

■ John Cresswell, formerly controller of finance, has been

promoted to finance director

David Whitewood has been

Europe, Middle East and Africa

appointed divisional md for

INTERNATIONAL GROUP;

director of that division. Gareth Clarke, formerly md

Products worldwide; he is

formerly md of London

International, Germany.

replaced by Andrew Slater,

■ Michael Smith, president of Astec's custom power

division, has been appointed

resignation of Walter Sousa

chief operating officer of

of LRC Products, is appointed divisional md. Regent Hospital

he was formerly finance

over as interim chairman

group md, becomes acting

chief executive.

OF MERUDIAN

for LONDON

BROADCASTING.

set up his own business.

Leo Cavendish, the former

COMMUNICATIONS, bas

Hedges as a director.

Mervyn Blakeney, a

it up to a £30m business this

Crawford moves up at Bull UK

year out of the UK company's total turnover of about \$200m. He sits on Bull's worldwide council for services strategy. Crawford trained as a metal-

Checking in

Peter Bates, who has been sales and marketing director of the Savoy group of hotels and restaurants for the past five

years, is moving next month to do the job with the same title

at Mount Charlotte Thistle

To those who might be puz-

zled by the move and think the Savoy is about as grand as you

can get, Bates' riposte is that the Savoy has just six hotels

and an annual turnover of

£75m; Mount Charlotte Thistle,

meanwhile, had a turnover in

"It's a much bigger job and therefore a great challenge."

he says. Mount Charlotte, which is 70

per cent owned by Brierley

could be floated in the next

couple of years. Bates' previ-

ous experience with the priva-

tisation of Gleneagles Hotels in

Scotland and the flotation of

the Mandarin Oriental Hotels

in Hong Kong could come in

Bates, 42, is also keen to

scotch rumours that his move

is in any way linked to the

enthusiasm Rocco Forte has

expressed in the past for his Forte group to acquire the

Peter Haigh, currently

regional director of sales and

marketing UK and Ireland for

Marriott Hotels and Resorts,

takes over from Bates. Haigh, 45, was with Marriott for 14

vears, working in both the UK

and US and has been responsi-

ble for sales and marketing

throughout Europe, the Middle

East and Africa.

bandy.

1992 of £217m and 112 hotels.

lurgist at Sheffield Polytechnic and worked initially at GKN Contractors in the US where he learned about manufacturing automation. He moved into the computer industry as a manufacturing consultant with the then leading software

house Management Science America, now absorbedinto Dun & Bradstreet Software.

"Bull", he says drily, "is not short of challenge", but he speaks warmly of the freedom the company allows for local the company allows for local managers to make their own decisions. Whether this is likely to continue under new chairman Jean-Marie Descarpentries is something he will learn shortly when the two have their first meeting.

time to look for his successor

employee benefits consultancy.

He will also look after plan-

ning and information technol-

Johnson replaces Nigel Reed

who played a central part in

the sale of Thomas Cook from

Midland Bank to Westdentsche

Landesbank, Reed wanted to

work for a company with a UK

listing; he is to be finance

director of Haden MacLellan

Holdings, the industrial con-

ogy at Thomas Cook.

### Non-executive directors

■ Lord Kingsdown, former governor of the Bank of England, at FOREIGN AND COLONIAL INVESTMENT

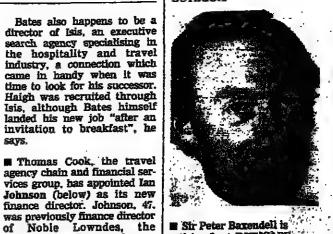
Tom Hedderson at GIBBS MEW.

Roger Gilbert, a director of Associated Newspapers, at

SELECTV.

Sfr Douglas Hardie has retired from SECOND ALLIANCE TRUST. Max Taylor, chairman and chief executive of Willis Faber & Dumas, at TR SMALLER COMPANIES INVESTMENT

■ Martin Boase (below), chairman of Omnicom, as chairman at MAIDEN OUTDOOR.



■ Sir Peter Baxendell is retiring from INCHCAPE Bill Boulton, former chairman of BET Plant Services, as chairman of LORNE STEWART. Lord Sanderson of Bowden, former minister in the Scottish Office and chairman of Scottish Mortgage and Trust, and Barbara Thomas, legal affairs director of News International, at WATSON & PHILIP.

■ John Leigh, recently refired director of Rathbone Brothers, ALBANY INVESTMENT TRUST, which is a client of Rathbox

■ Sir Geoffrey Chipperfield, recently retired permanent secretary at the department of energy, at SOUTH WEST WATER

Ronald Somerville at UNIDARE. Alan Marsh has resigned from BLETCHLEY MOTOR GROUP.

Daniel Piette, group executive vice-president of LVMH, at DAVID S. SMITH

### **BUSINESSES FOR SALE**

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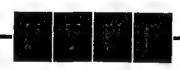
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relation of the above-samed companies will be held as
to offices of Hospina Warder, New College, Section the
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the hospinal propriet HERBY Are the threesection of the threethree-parties price of the report preparate by the
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committee to require a second of the second of the control of the Matter trans section, without desired the depression of the other-has been day admitted under the properties and the other-has been day admitted under the properties of the insulation pasters 1964 party validity the creditor structure are on its behalf.

Dated this teneral second day of Doobse 1993.

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overhead lines and cable circuits and 33kV substation facilities. 4. Tenderers will be requested to accompany their bids with firm propossile

Sets of tender documents may be purchased on sub written application between 8 - 15 November 1993 from: Project Manager Sana's Project Ewbank Preece Limited Productial House, North Street, Brighton, BN1: 1RZ

Toles: 878162 EPL BYN G Fax: 8273-200483 on payment of a non-refundable for of US\$ 1000 or Sig.Pda 660 by cash: certified cheque or bankers draft.

United Kingdom

 Applications for tender documents should also be accompanied by a life statement of the tenderess experience and qualifications to undertake

Applications from Local Agents must be accompanied by spe written authorisation from their Principals mentioning this project. 8. Tenders should be addressed to:

Eng. Ahmed H Al-Aim' - Minniging Director Public Electricity Corporation, P O Box 178
Sana'a, Republic of Yennea
Teleur 2879 or 2889 Far: 967-1-263115

and deposited in the PEC's offices in Sama's before 12.00 noon on 11th December 1993 at which time the Tenders will be opened in the presence of Tenderers or their representatives.

DIRECTORATE OF NAVAL ENGINEERING RIO DE JANEIRO - BRAZIL

NOTICE OF PUBLIC TENDER NR. 062/93

Notice is hereby given that DEN with offices at: Prace Maint 65, Rio de Janeiro, Brazil, CEP 20081-240, is accepting. tenders to choose a supplier for ONE (1) (ALREADY BUILT) OCEANOGRAPHIC SUPPORT SHIP, WITH CHARACTERISTICS TO OPERATE IN ICE INFESTED WATERS. The latest date for submission of qua documents and quotations is the 21st December 1993 and the details of this Public Tondon the details of this Public Tender are available, at request. the above address. For further information you may seques please contact: DEN - "OCEANOGRAPHIC SUPPORT"

Tel: 010 55 21 216 65 01 Fac: 010 55 21 216 65 18/21 233 74 83

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### FRANCHISING





Picture which deserved a prize: Portrait of Joshua', 1993, by Sarah Raphael

# Blotter' by Peter Doig, 1998, winner of this year's John Moores A prize commitment to painting

brouhahs about the Turner Prize, the televised dinner, speeches and fues with envelopes, it is still the John Moores that artists went to win. Perhans this is because the John Moores was the first of the open submission prize exhibitions; and the peculiar affection in which this competition is held. reflects the late Sir John's personal enthusiasm and support for many years, since it started in 1957.

Of course there will be grumbles and speculations about the collective interests and judgments of the jury, and disap-pointed incredulity efterwards, as much at failure to get in as awards. But the Moores is the talking point among artists, who show a degree of interest. and involvement much greater than they do for the Turner

ERS

MAN LACE

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Sir John Moores' recent death has enjoyed with its critics. It unday afternoon's piano recital by Leif Ove Andsnes formed a Andsnes's cods to the Barbican's weekend celebration of the Grieg 150th anniversary. The 23-year-old Norwegian had

here the composer was repre-sented as centrepiece of the programme. Grieg was above all a master of small-scale forms, and Andsnes offered a string of miniatures - the fourth Albumblatte and six of the Lyric Pieces. One had to admire him for playing pieces some might regard as too insubstantial for a major recital. Simple only on the surface, they require fluent technique to be brought off as enchantingly as they were

launched this on Friday, playing the original version of

Grieg's Piano Concerto, and

at 97 has naturally east this, the 18th, as his memorial Liverpool Exhibition, as well as some doubt as to its future. These doubts were put to rest when the Moores family said it would continue to support the exhibition in principle. Although the form might change, this is good news. The Moores has often modified itself in any case, and its current limitation to paintings and but the lowest of reliefs is a long-standing grief and irritation to sculptors. I am firmly on the side of the painters and see little need for change. The commitment to painting in par-ticular, it a time when it seems to be increasingly discounted by the arthoder apologists and promoters of the

greatest storiging essay in the catelogue, Andrew Brighton, one of this war's jurors, disass upon the ever shifting relationship that the Moores

Concert

Grieg

Andsnes's selection proved

very satisfying, like a series of delicate water-colours. He

proved sensitive to their vary-

ing moods and vivid charac-

terisation, capturing his coun-

try's folklore in the Hardanger

fiddlers of the Albumbiatte, and

the humour in the "March of

the Trolls". Other highlights

were a glistening "Butterfly", the impressionistic "Bell-ring-

ing", and the touching simplic-

ity of "At Home". Where other

pianists might have turned

heavy-handed, he maintained

an easy dexterity, investing

quieter dynamics with colours

began 36 years ago as an opportunity for the more advanced artists who were at that time excluded by the Royal Academy, to set themselves against their peers. Ironically, it has now become the one: serious opportunity to remind the avant-garde itself of one of the principal disci-plines in the great tradition of

proportion more figurative paintings than I can remember, and inevitably particular inclusions, indeed prize-winners, that I find inexplicable. But overall the emphasis seems to be placed, as it should be, on good painting of what-

Little in this exhibition is objective, that is derived from

William Packer reviews the 18th John Moores exhibition at the Walker Art Gallery, Liverpool

art, putting paint on canvas.
There is nothing of controversy to this year's Moores, nothing of the conceptual bias or feminist agenda of last time ore. And it is precisely its disengagement, its lack of controversy that makes it useful. It is a straight-forward survey of current British painting, the 54 works that the 2013 submitted. There are in

of extraordinary subtlety.

To leave the audience in no

doubt of his virtuoso creden-

tials, Andanes framed his Grieg

with Liszt and Chopin. He

opened with a bravura account

of the former's second Ballade,

cogently argued, but Andenes

showed his serious intent best

of all in an elegant perfor-

mance of the Chopin Third

Sonata - the Largo radiant, the

outer movements majestic yet

measured with an inward calm

which spoke of the interpret-er's astonishing maturity.

Although the Grieg remained longest in the memory, this

was a well-balanced recital. An

all-Grieg programme would

have been too obvious, and

this versattle young Norwegian is right to avoid being typecast

John Allison

so early in his career.

direct observation of the real and visible world. Sarah Raphael's small portrait of a friend. Joshua, is the outstanding example of that sort and ceris no landscape or interior that is not to some extent photobased in its reference (Paul Winstanley, Geoff Stalker, Mar-tin Greenland), or schematic (Adrian Berg, Adrian Henri). Perhaps this is nothing more

That with World

riding at a three-year high and

the diplomatic coup in bring-

ing the PLO and Israelis to a

peace accord, you would think

that Norway's Jan Garbarek

would cheer up a bit. His most

recent album Twelve Moons

(ECM 519 500-2), which set the

searing vocals of folk singing

against his own plaintive

reeds, has heaped success on

success and yet he remains an

This was the gist of a conver-

sation overheard at the Festi-val Hall last week mid-way through the saxophonist's

chilly set. But in this marvel-

lous small group with sidemen

Rainer Bruninghaus (key-

boards), Rherhard Weber

(bass), and Marilyn Mazur (per-

old gloomy boots.

Cup soccer wins,

his country's

stock exchange

than fair reflection of the submission, but, by my own experience as juror on the Moores, I doubt it. The first prize of £20,000 has

gone unexceptionably to Peter Doig for his large and characteristically elegant and mannered amplification of a photograph of a man standing on ice - or is it perhaps in a puddle in a winter forest landscape. But in general the best of the painting is, perversely, abstract, notably Trevor Sutton's minimal roundel; a low relief panel in white and gold that is as physical as it is seductive, by Stephen Buckley, a former prize-winner; and Simon Callery's large, allusive, exquisitely reticent canvas worked in horizontal bands of Best of all is Michael Ginsborg's sharply cursive, linear image, as taut as a carriage spring, pale red on paler pink and orange. I would have given Am I damning this Moores

exhibition of, perhaps, relatively sophisticated, consensual (sic) painting?" asks Mr Brighton. "Or can it still within its limitations...attract...work which is part of the tradition of modern art? Which is the case and which desirable seems to me the general issue ... now for critics to address." This seems to miss the point. I only wish that the Moores would embrace a wider scope to take in that more objective strain, worked direct from model or landscape that sustained Cezanne, Matisse, Giacometti, Balthus, Freud. Even so, by its very sophistication, and the professional consensus it celebrates, the tively displays work that is indeed truly "part of the tradition of modern art." John Moores Liverpool Exhibi-

with faint praise? Not at all

"Has the Moores become an

tion 18: Walker Art Gallery, Liverpool, until January 23.

### Jazz

### Garbarek at his best

cussion), the ascetic Garbarek is at his atmospheric best. Sparse arrangements of hypnotising melodies are worked up into landscapes of uniquely north European complexion. Where the accompaniment is bleak, the soloists scorch a path through. The ensemble playing is both elemental and

Garbarek's band balances perfectly in an unorthodox way. Denmark-born Marilyn Maxur stands behind a kit which combines traditional drums with a hanging garden of exotic shakers and bells. In

contrast to this natural rhythm, at the other end of the stage Bruninghaus creates a fine synth mist embedded with twinkling notes. Centre stage and alongside Garbarek, Weber at the electron-bass (a hybrid of upright fiddle and bass guitar with a delay pedal) weaves plangent lines with the bow in sympathy with Garbarek's keening soprano.

But the second set brought a new, airborne tenor sound from the leader. Rollvened by Mazur's brilliant, dervish-like performance behind the shakers and more angular, discordant phrasing from Weber Garbarek took off, quoting Gilberto and leading the group out of the fog and into an almost jolly Norwegian funk if such a thing is possible.

Garry Booth

### Sponsorship/Antony Thorncroft

### Down but not out

growth, expenditure on arts sponsorship came to a halt in 1992-93. Against the odds it had risen by an impressive 14 per cent in 1991-92, to £64.4m, encouraging the belief that somehow sponsorship was recession proof. But when the Association for Business Sponsorship of the Arts announces the most recent fleures later this week they will show a fall, not a mammoth fall, but enough to force the sponsorship industry to reassess its

The smaller, regional, firsttime sponsors are still joining up with enthusiasm, but the large commitments from the major traditional sponsors are harder to find.

On cue, two of the great British arts sponsorships, the Royal Insurance support for the Royal Shakespeare Company, and the Digital Dance Awards come to an end next

Royal Insurance pumped £3.5m into the RSC over six years and both sides gained tremendously from the link. The RSC is now seeking a similar big backer. In the meantime it is having some success finding sponsors for individual new productions. Unilever subsidiaries, Lever Bros and Van den Bergh's, will put their brand names behind the new Macbeth opening in December, and there is a first-time spon-sor, JBA International, a Stratford-based computer company, for the new Moby Dick. This has attracted a top-up grant from the Business Sponsorship Incentive Scheme administered

by ABSA. The RSC still has one long-term admirer in English Estates, which has given £200,000 towards the small venue tour of Julius Caesar, currently on the road. But next year English Estates disappears into the Urban Regeneration Agency and no one knows whether it will continue its imaginative approach of bringing the arts to culturally starved areas of the country.

The RSC has one big attraction for sponsors. It has an enthusiastic chairman in the Prince of Wales. On Thursday night its main sponsors and some prospective friends were invited to Buckingham Palace Although dropping the Digi-

tal Dance Awards, Digital Equipment Corporation, the computer company, is sticking with sponsorship, and with dance. In six years it invested £700,000 in 70 new dance works. It now feels that dance, and dancers, are better able to stand on their own feet. However, it is keeping the £30,000 Premier Award for an individual, the biggest cash sum in the field, and is spending a further £180,000 in 1994 on training and the development of dance projects for larger venues. So the investment in dance has actually increased. At the international level, Digital is reorganising. Its long-term support for the Kuropean Community Youth Orchestra has come to an end, but a future global sponsorship will not be decided upon for a year or so, by which time Digital's financial position should

Next week, Lloyds Bank will announce a £500,000-a-year sponsorship in the film area. The Bank, which in 1994 will spend over £2m in sponsorship.

exploited art form. It already backs the Lloyds Challenge for young scriptwriters and direc-

If fashion counts as art then Lloyds rivals BT as the leading British sponsor of the arts. Along with its involvement in film and fashion it also supports the Young Musician of the Year contest, which will fill BBC screens again next spring. Apart from a bias towards youth all its links have one thing in common: they attract television coverage. Next year. Lloyds is expecting more than 15 hours of prime-time television to be devoted to events it supports.

Substantial one-off sponsorships of costly new opera or ballet productions are rare these days, but PowerGen came up with £110,000 for Sylvia. David Bintley's new work for the Rirmingham Royal Rallet, which opened last week. But even here the sponsor is being hard headed. If the ballet is a success, and stays in the BRB repertoire, then Power-Gen will raise its support to £150,000. Fortunately for BRB, the initial reaction was favour-

Two unusual new sponsors are Jigsaw, the fashion retailers, and Elisabeth the Chef. Jigsaw is sponsoring a tour of a new dance work by the Harlemation Dance Company choreographed by Bunty Metthias. The Company will visit regional towns where Jigsaw has shops; and the dancers costumes were designed by Maria Cornejo, a Jigsaw consultant. Elisabeth the Chef is a Leam-

ington Spa based supplier of bakery products to supermarkets. One of its largest clients is Sainsbury, and inspired by the sponsorship programme of its important customer, it has funded a £5,000 postgraduate art student award. The winner of the New Art Award will be announced on Wednesday.

Beck's, the brewers, is one of a growing number of sponsors that want to be associated with the avant-garde. (It is a myth that sponsors only support the tried and tested: many companies think they can quickly acquire a go-shead image if they back the experimental.) Beck's latest commitment, a constructed by conceptualist Rachel Whiteread in East London, was unveiled last Monday. It will stand for just a few weeks. Working with Artangel, an organisation devoted to placing art in unorthodox settings, Beck's will contribute £60,000 over three years to create an annual landscaped creation, built to disappear.

Sponsorship may be faltering in the UK but there is still plenty of potential for international connections. The Orchestra of the Age of Enlightenment embarks in February on its first European tour, thanks to £50,000 from Goldman Sachs, which, as a first-time sponsor, should attract a substantial uplift from the BSIS. The Americanowned bank wants to show off

its European credentials.
Conversely, Banco Santander, along with the Royal Bank of Scotland, is generously backing the Spanish Arts Festival in London next spring. Between them they are putting almost £300,000 into the Festival, helped by a £35,000 BSIS



### AMSTERDAM

Concertgebouw Tonight: Rafael Orozco plano recital. Tomorrow, Sun, next Tues: Gerard Oskamp conducts Netherlands Philharmonic Orchestra in works by Musorgsky, Glazunov and Sibelius, with violin soloist Emmy Verhey, Thurs and Fri: Claus Peter Flor conducts Royal Concertgebouw Orchestra in Janacek, Poulenc and Shostakovich. Sat afternoon: Edo de Waart conducts concert performance of Lohengrin, with cast headed by Thomas Sunnegardh, Sergei Leiferkus, Deborah Voigt and Gabriele Schnaut. Sun morning: Guarneri Trio plays Ravel and Dvorak. Nov 10, 11, 14: Wolfgang Sawallisch conducts Royal Concertgebouw (24-hour information service 020-675 4411 ticket reservations 020-671 8345) Muziektheater Tomorrow, Thurs, Sat: Nederlands Dans Theater in choreographies by Kylian and Naharin. Sun: Chrstophe Rousset conducts first night of Pierre Audi's new Netherlands Opera production of L'incoronazione di Poppea, with

cast led by Cynthia Haymon and Brigitte Balleys (repeated Nov 10, 14, 16, 19, 22, 25, 28, 30). Nov 11. 12, 13: choreographies by Anne Teresa de Keersmaeker (020-625

Palais des Besux Arts Tomorrow:

### BRUSSELS

Yavoi Toda plays violin sonatas by Beethoven, Ysaye and others. Thurs: Armin Jordan conducts Orchestre de la Suisse Romande in works by Gaudibert, Schumann, Ravel and Roussel, with plano soloist Martha Argerich. Fri: Jean-Claude Casadesus conducts Orchestre National de Lille and Pro Musica Chorus of London in Haydn's Creation. Sun afternoon: Pierre Bartholomée conducts Liege Philharmonic Orchestra in Mozart, Bartok, Lekeu and Strauss, with violin sololst Silvia Marcovici. Sun evening: Marc Soustrot conducts Orchestra of the Monnaie in Bizet, Beethoven and Strauss (02-507 Monnaie Tomorrow, Sat (also Nov 9, 11, 12, 14, 16, 18): Marc Soustrot

### **■ CHICAGO**

CHICAGO SYMPHONY Georg Soiti conducts four programmes this month. Tonight: Haydn's The Creation. Fri and Sat: Dvorak's Cello Concerto (Steven Isseriis) and Stravinsky's Petrushica Nov 11, 12, 13: Hungarian programme. Nov 18, 23; Stravinsky.

conducts Guy Joosten's production

of Carmen, with Graciela Araya and Richard Margison (02-218 1211)

Mendelssohn and Bauthoven. Midori piano cycle (022-310 6611) gives a violin recital on Sun (312-435 6666)

CHICAGO LYRIC OPERA This month's repertory consists of Tosca with Maria Ewing (tonight, next Mon and Fri), Carlisle Floyd's Susannah starring Renea Fleming and Samuel Ramey (final performance on Fri) and Cosi fan tutte, conducted by Andrew Davis and staged by Peter Hall, with Carol Vaness, Keith Lewis, Delores Ziegler and Jeffrey Black (from Saturday). A new production of Die Walkure opens on November 23 (312-332 2244)

### GENEVA

Comédie A new French-language production of John Millington Synge's 1907 tragi-cornedy The Playboy of the Western World opens tonight, directed by Claude Stratz. Daily except Sun and Mon till Nov 20 (022-320 5001) Grand Théâtre A new production of La Cenerentola, conducted by Jesus Lopez Cobos and staged by Jerome Savary, opens on Sat, with a cast headed by Jennifer Larmore and Rockwell Blake (repeated Nov 9, 11, 14, 16, 19 and 21). Ann Murray gives a recital on Nov 10 (022-311 2311) Victoria Hail Thurs: Natalia Gutman, accompanied by Eliso Virsaladze, plays Beethoven cello sonatas. Sun: Theodor Guschibauer conducts Strasbourg Philharmonic Orcherstra In works by Berlioz, Chausson, Saint-Saens and Roussel, violin soloist Miriam Fried. Nov 8, 9, 10, 11: Gerhard Oppitz gives a Brahms

### **THE HAGUE**

AT&T Danstheater Tomorrow, Thurs: Dutch National Ballet in choreographies by Forsythe, Balanchine and Pastor. Fri: Nederlands Dans Theater in choreographies by Naharin and Kyllan. Sat: Momix dance group (070-360 4930) Dr Anton Philipszaal Fri: Five Blind Boys of Alabama. Sat: London Chamber Orchestra plays Britten, Elgar, Gorecki and Vivaldi. Sun afternoon: Gerard Schwarz conducts Hague Philharmonic Orchestra in Mozart and Brahms. Next Mon: Rafael Orozco is plano soloist with Zagreb Philharmonic Orchestra

### ■ ROTTERDAM

(070-360 9810)

De Doelen Tonight, tomorrow, Thurs: Gerard Schwarz conducts Hague Philharmonic Orchestra in Mozart and Roussel, with piano soloist Ivan Moravec. (010-217 1717)

### VIENNA

oper Tonight: A Midsummer Night's Dream, ballet with music by Mendetssohn and Ligeti. Tomorrow and Sun: Il trovatore with Cheryl Studer, Agnes Baltsa and Sergei Leiferkus. Thurs: Lucia di Lammermoor. Fri: Madama Butterfly. Set: Cepriccio. Next Mon: La boheme (51444 2955) Musikverein Tonight: Jess Norman song recital. Frt: Mark

Brown conducts Pro Cantione Antiqua in a programme entitled Seiji Ozawa conducts Vienna Philharmonic Orchestra in works by Berg, Mendelssohn and Brahms. Sun afternoon, Mon evening: Stephen Hough plays Hummel's Piano Concerto with Tonkunstler Orchestra (505 8190) Konserthaus Wing Modern: Vienna's contemporary music festival runs throughout November, with special focus on Penderecki, akemitsu, B.A. Zimmermann and Erich Urbanner. Other composers represented this week are Oliver Knussen, Magnus Lindberg and Mark Antony Turnage, whose music is included in a Scharoun Ensemble concert conducted by Claudio Abbado on Sat (712 1211)

### **■ WASHINGTON**

MUSIC Mariss Jansons conducts St Petersburg Philharmonic Orchestra tomorrow in works by Tchaikovsky and Rakhmaninov, with violin soloist Shlomo Mintz. Zdenek Macal conducts National Symphony Orchestra in works by Rakhmanino and Brahms on Thurs, Fri, Sat and next Tues, with piano soloist Tzimon Barto (202-467 4600)

 Neville Marriner conducts Baltimore Symphony Orchestra In symphonies by Mozart and Tchaikovsky at Baltimore's Joseph Meyerhoff Symphony Hell on Fri, Sat and Sun afternoon (410-783

 Washington Opera's 1993-94 season opens on November 13 with Anna Bolena and starring Netty

### Miriciolu (202-416 7800)

have improved.

THEATRE Lips Together, Teeth Apart: Terrence McNally's play about two married couples who spend the Fourth of July together on Fire Island. Opens tomorrow (Studio Theater 202-332 3300)

 For Reasons that Remain Unclear: Mart Crowlev's play about a Hollywood writer and an American Catholic priest who meet by chance in Rome. Opens tomorrow (Olney Theater 301-924 3400)

 Carrier: Conrad Bishop and Elizabeth Fuller explore the complex emotional legacy of the Vietnam War. Opens tomorrow (George Mason University 703-993 8888) Dancing at Lughnasa: Brian Friel's award-winning play about five Irish Catholic sisters in Donegal in 1936. Opens on Sat (Arena Stage, Kreeger Theater 202-488 4377)

### ZURICH

Opernhaus Tonight, Fri, Sun: Nello Santi conducts Jonathan Miller's new production of Falstaff, with cast led by Juan Pons. Tomorrow: Cosi fan tutte. Thurs: Rigoletto. Sat: Die Zauberflöte. Next Mon: Ann Murray song recital. This month's repertory also includes II barbiere di Siviglia, Macbeth, Nutcracker and a new production of Raymonda (01-262 0909) Tonhalle Tonight Edmond de Stoutz conducts Zurich Chamber Orchestra in Haydn, Dragonetti, Durante and Telemann, with double bass soloist Gary Karr. Thurs: Wolfgang Holzmair song recital (01-261 1600)

ARTS GUIDE Monday: Berlin, New York

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavla. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (All times are Central European Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630

Wednesday Super Channet: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports 2030: 0130 Friday Super Channel: European Business Today 0730; 2230 Sky News: Financial Times

Reports 0530 Seturday Super Channels Financial Times Reports Sky News: West of Moscow 1130: 2230 West of Moscow 1830

Sunday Super Channel: Super Channel: Financial Times Reports 1900 Sky News: West of ow 0230; 0530 Sky News: Financial Times Reports 1330; 2030

### he pile of aluminium castings bore little resemblance to car wheels, But after two minutes each inside an innovative Japanese machine tool which can replace the three normally used by wheelmakers they were the real thing.

The Yamazaki Mazak machine was one of many examples at the recent Emo machine tool fair of new products aimed at helping their efficient ways of cutting, dril-

ling and shaping metal.
In a neighbouring hall from the Japanese company's stand in Hanover, there were five machines on show from Traub, the big German producer of turning machines, or lathes. But no amount of smartly painted equipment can disguise the fact that Traub and its fellow European producers

While some of them can match the Japanese on the flow of new products, they find it hard to compete with their rivals' financial muscle. Japanese manufacturers' higher sales volumes enable them to weather recessions more easily and support a more aggressive global manufacturing and mar-keting policy. Hitachi Selki, for example, has started producing in Germany, and has recently slapped its first "Made in Europe" sticker on a machin ing centre produced in a joint venture with the Klöckner industrial group.

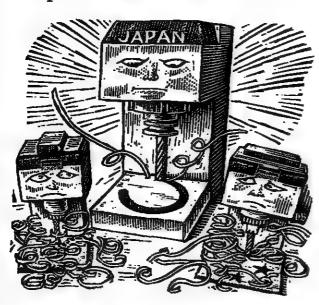
meanwhile Traub. announced in September that it is receiving a capital injection from banks and its main family shareholders to reduce its debts by DM80m (£32.5m). It is also receiving help from the Treuhand, the agency charged with privatising east German industry, to buy Heckert, an east German producer of milling machines, in a deal that

broadens its product range. The question of the competitiveness of the European machine tool industry is the main talking point among producers. There are about 1,450 machine tool builders in Europe, and their problems are summed up by Cecimo, the umbrella body for national associations from Europe's 12 main machine-tool countries.

It says companies making standard machinery are too numerous and too small to compete effectively in the world market. And builders of more specialist machines lack the financial power to create a global presence and survive recessions. For many, this recession has been the worst over the past three years, the

# Europe's metal fatigue

Andrew Baxter on the threat from Japan's machine tool makers



value of machine tools sold in the European market has fallen by 20 per cent to 28.6bn. In spite of this bleak analysis, the share of total world oduction of machine tools by Cecimo countries has risen from 40 per cent in 1990 to 47 per cent last year. Europe has maintained a trade surplus in machine tools, albeit down from 22.45hn in 1989 to £1.92hn last year, as sales to growing markets in China and south-

former Soviet Union. But Europe is still seeking a long-term solution through a two-pronged strategy to resolve problems of an industry which has lost 32,000 jobs - 17 per cent of its workforce - over the past two years. First, Cecimo is asking the European Commission to adopt industrial and trade measures that would help the industry cope with its competitors.

east Asia offset the collapse of

traditional markets such as the

Among its requests are: action to reduce the financial and employment costs for European producers, relative to those of the US and Japan: financial incentives for customers to buy machine tools whenever the market is in a severe downturn; a programme

to help small and mediumsized companies take part in EC research and development programmes; a positive conclusion of the Gatt trade negotiations; and a co-ordinated EC

policy to promote exports. The aim, according to Mr Yves de Boisfleury, Cecimo's president, is to correct what he ees as the "flagrant imbalances" between the costs of doing business in Europe, compared with those of Japan and the US. Cecimo claims that "social costs" in Germany salaries, benefits and other employee-related expenses are 27 per cent higher than in Japan and 37 per cent more than in the US.

Such pleas might be dismissed as another unrealistic wish list from industrialists struggling in a recession, were it not for the fact that the industry has accepted the need for restructuring through mergers, takeovers and co-operation deals. This is the second plank in its survival strategy.

The recession can be credited for the new note of realism. "I have been through four recessions, but none has been as bad as this," says Mr Walter Trick, Traub's export manager.

For German machine tool makers, the crucial competi-tive battle is with Japan. The per cent of total global machine tool production, and Germany has far more produc-ers competing head on with the Japanese than is the case in the rest of Europe.

Mr Hans-Joachim Holstein, sales and marketing director at Traub, speaks of a "vicious cir-cle" in which the company is entwined in the system of high German labour costs and at the same time is the victim of cost pressures among its domestic customers.

"If we have cost cuts, then we have a chance to continue manufacturing here in Germany," he says. Tranh already manufactures in France, Italy and Brazil, and plans to reduce manufacturing in western Germany from 80 per cent of total production to 50 per cent over the next 12 months.

It needs to reduce the cost of its high-volume standard machines by up to a quarter over the next year or so, says Mr Holstein, or else make them outside western Germany. Such an admission would have been unusual three years ago but is now common among leading European producers.

Cecimo says the problem of high labour costs is not confined to Germany. Only if the Buropean industry can reform its cost structure will it be able to respond to customers who are increasingly looking for value for money rather than technical wizardry.

According to Mr Hans-Jürgen Marckzinski, general commissioner at the Hanover show and chief executive of Dortmund-based Thyssen Maschinenbau, customers want equipment that is "as good as it needs to be", rather than "as good as possible".

Giving customers what they want cannot be a strategy which relies for help on the European Commission. Producers are increasingly aware that they should take the future into their own hands rather than wait for concrete proposals. The response from the Commission to Cecimo's plea has so far been cautious, although it clearly recognise that Europe's machine tools could unlock increased manu

facturing productivity.

Mr Daniele Verdiani, a senior official at the Commis sion's industry directorate, says: "The Community can always make business conditions more favourable", but adds pointedly: "The microeconomy cannot be regulated by a magic wand."

# Joe Rogaly

# Why judges are jumping



elected politi-cians become less judicious, the country's judges become more political. prising that the judiclary is

expanding its influence. The government thinks only of its day-to-day survival; the opposition is immobilised by fear of upsetting anyone. Our politicians are a sorry lot. The courts are presided over by some of the brightest minds in public life. Like it or not, the latter are doing their best to compensate for the deficiencies

We have seen much evidence of this over the past few years. The modern half of the story begins in 1987, when the then new Lord Chancellor, Lord Mackay, intimated that judges could decide for themselves whether they wished to address the general public by talking to the media. He thus abolished the convention established in a letter written to the BBC by one of his predecessors, Lord Kilmuir, in 1955. The essence of the "Kilmuir cules" was that, in order to keep the judiciary "insulated from the controversies of the day", their lordships should keep their honourable traps shut when off the

Two years later the judges rewarded Lord Mackay's liberalism by publishing their objections to his proposi reform of the legal profession. Senior judges handled the back-up campaign on TV. The result is instructive. The Mackay reforms have been, shall we say, modified on legal advice. Call it a positive result of open government.

It is not possible to be so kind about the government's strategies for the control of ishment, and the administranal Justice Act was in need of urgent repair the day after it hecame law. Prisoners rioted at Strangeways, Lord Woolf was asked to find out why. His sub-sequent report awaits implementation. Spectacular miscarriages of justice were revealed. Lord Runciman was asked to make recommendations. His report, delivered in July, has been used as a bran-box from which to pick measures that

Enter Lord Taylor. At the end of April 1992, a few weeks after one of the most ill-starred administrations since 1979 had been returned to office, the

became Lord Chief Justice. Unlike his predecessor, Lord Lane, the new brightest minds in school boy like top judge is willing, anxious public life. They Lord Taylor, Lord Denning willing, anxious even, to speak his mind. Just 18 months on, he has become a serious player in the political game. He

appears at social events around town, cheerful and chatty. His demeanour is that of a public office holder campaigning to reshape parts of the law.

The new Lord Chief Justice led the assault on Lord Mackay for the latter's parsimony with legal aid. Result: zilch. He demanded more judges, and got them. He was critical of the 1991 Criminal Justice Act; his points of substance will doubtless be incorporated in a bill to be presented next month. The Judges Party is determined that Britain shall incorporate the European convention on human rights into domestic law; if not by Parliament, then by judicial stealth. Lord Woolf, a fellow crusader for better governance, recently slipped. an otherwise brilliant

address on the inadequacy of merely building more jails which produce more criminals, he spoke of prosecuting prop-erty owners who failed to burglar-proof their houses or cars. Enemies of the Judges Party trained their fire upon

Outspoken judges are not unique in British history. A biography\* of Lord Denning by Iris Freeman, just publish will convince you of that. Still alive at 94, the former Master of the Rolls was in his time the suit the home secretary's most popular jurist anyone could recall He stayed on the bench too long and made some silly mistakes towards the end of his career, but prior to that erstwhile Sir Peter Taylor he was outstanding, the most brilliant legal

mind of the The judges have century. A grammar some of the used the law are trying to creatively in order to change compensate for it. His views the politicians' were made deficiencies plam in many books

speeches, but he owed his appointment as Master of the Rolls to Lord Kilmuir, he of the Trappist rules for judges. "In general," says Freeman, "Tom agreed with the rules for others, if not for himself ... " He was most effective on the hench, where, ever the opportunist, he grabbed at cases that he could manipulate to make a particular point. His first-class mind and encyclopaedic memory enabled him to devise fresh interpretations of both statute and, more particularly, com-

and

The present generation of reforming judges may have profited from the Denning example, which, of course, they all know by heart. Like him, many of them have learnt to speak plain English, without pomposity. Unlike him, they

common opinion - although, to be fair, we live in a more heterogeneous society. Tom Den-ning, born to a Hampshire draper in 1899 and a believing Christian, could be ever the English pragmatist. His successors must grapple with Europe, the break-up of the family, the decline of the inner city, and the social chaos we all know

Lord Denning led a frontal assault on the iron rule of pre-cedent, which obliged judges to deliver patently absurd ver dicts. The Law Lords freed themseives, but not lower courts, from the rule. He insisted on reading past the text to establish what legisla-tors inhanded. Today Judges may at least consult Hansard He extended the law of negligence, and defended the ordinary subject's right to compensation from ministers. He was a corkscrew: finding against a Labour trade union law here and a Conservative one there. Catholics, Jews, the Irish, blacks and others may feel slighted by some of the references in this otherwise sympathetic book. My reading of it is that, if Lord Denning har-boured the prejudices of his fellow Englishmen, he did not allow them to influence his

Iris Freeman gives us a great many facts. She lists all the Dennings' travels and refers to more than 150 cases. She does not, however, spend much space putting his legal achieve ments in context. Perhans it is too soon. We cannot yet know which judges will have turned out to be the most effective: the canning maverick Denning, or the more overtly political Taylor & Co. Meanwhile, if you're worried about judgemade law, elect better politi-

\*Lord Denning, by Iris Free-man, Hutchinson, 449 pages,

### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# Short-term rate cut no long-term answer

From Mr Laurens van den

Sir, Your editorial "Monetarism in retreat" (October 30/31) states: "France is defiantly refusing to enter the pro-growth era. It has refused the significant cut in interest rates that France's low inflation rate

This is a statement typical of a continuous stream of articles in the British press, with very little resonance on the Conti-nent. Why? The franc one-year interest rate is 6 to 5% per cent as compared with sterling 51/2 to 5% per cent. A difference of 14-16 percentage point. This result has been achieved by keeping the franc owners almost 20 per cent wealthier than the sterling owners. The other side of the ocean, David Mullins, vice-chairman

of the US Federal Reserve, said last week: "I think you have to be very careful with rapid short-term rate cuts. There is a great risk that long rates react in the opposite way."

The French, English and German unemployment problems are not caused by high interest rates, but by the combination of business globalisation and lack of European competitiveness and flexibility. The jobs that have disappeared will not come back. They have migrated to other countries.

The container and the fax, which make it possible to carry out any task where best value for money is delivered, will not disappear. Investments will only be made, and so jobs created, when there is much greater flexibility in increasing and decreasing company size, working hours, compensation, geographical mobility, acceptance of new technologies and work prectices, etc. This flexibility, combined

with stable currencies and

entrepreneurial enthusiasm. can solve the unemployment problems, but not another short-term interest rate cut, in France or in the UK. That is a commonly beld view on the other side of the Channel. Laurens van den Muyzenberg, management consultant,

i Queens Terrace. Windsor SLA 2AR

From Mr Jeremy Hale.
Sir, Your leader "Monetarism in retreat" was confused. If monetarism really lives on in Paris, as you claim, French interest rates should now be

much lower. The authorities' broad money aggregate, M3, continues to grow very slowly (0.7 per cent year on year in August) and thus to undershoot targets (4-6.5 per cent). Predictably, nominal gross domestic product growth is also now close to zero. Why are short-term interest rates still above 6 per cent, or 3.5-4 per cant in real terms? Because the in monetarism but, even now, in an exchange rate target.

Further evidence of the dangers of targeting exchange rates, not of monetarism, n'est-ce pas? Jeremy Hale,

rior international economist Goldman Sochs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB

# merged to be the best of both banks

lt seems we

Merger announced November 2, 1992 Situation as of November 2, 1993:

### **Euromoney:**

No. 1 in Dutch Equity Research No. 1 in Equity Execution No. 1 in Economic Research

Global Custodian International: No. 1 Dutch Custodian Bank

**Institutional Investor:** No. 14 in European Mergers & Acquisitions

### High earner an asset

From Mr Michael Spencer. Sir, Eyebrows may indeed be raised in Downing Street and elsewhere at the remuneration received by Mr Alamouti, head of arbitrage trading at Tokai Bank in London ("Arbitrage dealer defies recession to earn £9m", October 27). However, before the cynics get into a lather, it is worth considering what benefits, if any, Mr Alamouti contributes to the Brit-

First, there is the obvious point that he has highly transportable skills and could, with a phone and Reuters screen. practise his chosen trade in New York, Frankfurt, Paris or Tokyo pretty much as easily as he can in London. The fact that he works here not only helps the City in maintaining its pre-eminent position in the global financial markets but also benefits the Exchequer not immaterially. His income tax bill and Tokai's increased corporation tax liability no

doubt add up to a tidy sum. Second, arbitrage is itself an economically important activity. Without it, price imperfections and illiquidity would dis-advantage market users and make the process of risk trans-fer less efficient. As the layers of mystery behind financial derivatives are stripped away.
Mr Alamouti will find increased knowledge and competition making arbitrage less profitable and the markets more efficient. But by then, no doubt, he will either have retired or moved on. In the meantime we need more, not

fewer, Alamoutis. M A Spencer, Intercapital Brokers, 16 Finsbury Circus, London EC2M 7DJ

### Unit trust buying practice at heart of system

safeguarded

From Sheila A Nicoll. Sir, Mr Landman (Letters,

October 26) has misunderstood the roles both of unit trust managers and of stockbrokers and marketmakers in running principal positions.

Far from being punished, as he suggests, such behaviour is at the heart of the trading system at the London Stock Exchange and many other financial markets, where liquidity is provided by firms which are willing to take a risk using their professional judg-ment of the market and buying and selling for their own

When unit trust managers take principal positions (which they have to do, for example, if | ised under the Financial Serthey are to deal on a historic | vices Act 1986 holds the unitbasis, a service appreciated by many private investors), the interests of investors are fully

The price which an investor pays for units or receives for selling them is carefully regulated through detailed pricing rules drawn up and imposed by the regulatory authorities. The price will be within the same parameters regardless of whether units are created or cancelled with the trustee or the manager sells on units which have previously been

sold back to him The independent corporate 65 Kingston, trustee who must be author- London WC28 6TD

vices Act 1986 holds the unitholders' assets and has a responsibility to ensure that investors' interests are kept

Daramount If there is a fall in the market, the manager takes a loss and if he sells, the price he receives is again calculated according to the pricing regulations: he will receive the cancellation price applicable at that time. Investors are unaflected.

Sheila A Nicoli director, legal and fiscal affairs, Association of Unit Trusts and Investment Funds,

### Picture of Belarus prospects not so bleak

From Ms Roberta Feldman. Sir, Matthew Kaminski's and Anthony Robinson's article, "Belarus finds breaking up is hard to do" (October 12), may paint too bleak a picture of reform there. In fact, many economic officials at both the local and national levels are anxious to implement reforms and ready to listen to advice.

small-scale privatisation assistance project in the city of Brest, begun in June, resulted in Belarus's first open auction on September 29, ahead of schedule. Cities and regions all over Belarus are now requesting privatisation assistance from IFC, and the government of Belarus has requested advice on rationalising privati-For example, the international Finance Corporation's sation legislation, including the voucher law.

Reformers in Minsk and the provinces often want and welcome assistance. Unfortunately, western experts have so far largely overlooked Belarus in favour of its neighbours. Roberta Feldman, task manager, small-scale privatisation in Belarus, Russia and Ukraine, international Finance Corporation, Washington DC

### Strong argument for relaxed management style

From Dr George Fieldman.

Sir, The psychological research published in the FT (Recruitment, October 27) on problem-solving styles indi-cated that a goal-orientated or telic approach is less produc-tive than an interest-orientated or paratelic approach. This finding is fascinating indeed and, if confirmed by other

studies, has important implications both for managers and for management training.

It is a powerful argument for relaxed management styles which encourage staff to follow their own insights and intu-itions, at least for tasks which involve problem-solving. Such involve problem-solving. Such an approach is also likely to reduce psychological strain in staff which, in turn, should promote their physical and psychological well-being. So much then for the dogged Thatcherite influence man Thatcherite influence upon management. In this view

the principal means of promo-ting British economic produc-tivity, what an appalling waste that may have tirmed out to be. Of course, the notion that people can be brow-beaten into world-class performance always lacked credibility. George Fieldman

St George's Hospital Medical School Department of Psychology, Crammer Terrace, London SW17

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# FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407-5700 Tuesday November 2 1993

# Tip of Japan's debt iceberg

authorities' macroeconomic management over the past three years. The Bank of Japan has succeeded, using both interest rate cuts and arm-twisting, in maintaining financial order following the 1990 Tokyo stock and property market colleges. The Ministry of Francisco collapse. The Ministry of Finance, after some prompting, has used both administrative measures and three fiscal injections to put a floor under share prices and prevent a slump. Faced with similar problems, the US, UK and Scandinavian countries have all suffered recessions. Japan, by contrast, has just about kept growth alive.

It is against this background that the significance of the bankruptcy of Muramoto Construction should be judged. The collapse of the Japanese property contractor, leaving Y590bn in unpaid debts, may be the largest bankruptcy in Japan since the second world war. What is surprising is that there have been so few Muramotos, given the scale of Japan's property market collance.

Yet Muramoto Construction repnts the tip of a large iceberg. Last March, official Japanese government figures put the total of "non-performing" loans at the top 21 city benks at Y12,700bn, a little over 3 per cent of outstanding loans. But government sources also acknowledge that, when the debts of non-bank subsidiaries are included, the true figure is at least three times the official level, raising the ratio of had debts to logns to Scandinavian levels. Even the official stock of non-performing

IT WOULD be churlish not to be generous in praise of the Japanese year's operating profits of the 21 year's operating profits of the 21 city banks. Meanwhile, the Co-op-erative Credit Purchasing Company (CCPC), the agency set up last year without public money in order to remove non-performing loans from bank balance sheets, is moving at a slow pace. Between

February and the end of September, it purchased loans with a face value of a mere Y1,050bm. Of course, as the Bank of Japan points out, the evidence that Japan is currently facing a credit crunch is far from conclusive. Yes, bank lending is falling and the broad money supply is barely growing. But, with Japanese com-panies themselves restructuring after the over-investment of the late 1980s, the demand for credit is hardly buoyant.

Moreover, the Bank of Japan is probably right to claim, citing the Muramoto Construction liquidation as an example, that the dis posal of these non-performing loans can occur gradually, in orderly fashion, without a risk of systemic crisis in Japan's financial markets. And the bank is understandably worried that a publicly financed bail-out of the banking industry would generate moral hazard problems, although a few more resignations by senior

bank officials would help: Yet unless the Bank of Japan provides funds to capitalise the CCPC, it will take years rather than months for Japan's bad debt iceberg to thaw and melt. And until the banks are restored to health, the prospects for economic

### Airbus Ltd

TO THE Angio-Saxon eye, the would provide greater transpar-structure of Airbus Industrie is an ency in its accounts. This should oddity. The four-nation aircraft group is not an ordinary limited company with its own balance sheet and profit-and-loss account but a marketing consortium, whose shareholders own the group's essets and share out the contracts. To outside observers. its accounts are opeque and its-manufacturing decisions often seem excessively influenced by political considerations.

Airbus's shareholders – espe-

cially France's state-owned Acrospatiale - have in the past argued. that this structure was essential in the group's start-up phase. They say it enabled the company to operate on a trans-European bests and establish itself as a competitor to Boeing, the world's largest aircraft group. But now some insiders have again begun to question the structure. British Aerospace and Deutsche Aerospace two of Airbus's shareholders argue it should convert to a more conventional company structure which owns its assets and awards contracts on a commercial basis. Last week, Mr Jean Pierson, the group's managing director, who is on secondment from Aerospatiale, gave his backing to speedy reform.

Whatever the pros and cons of Airbus's consortium structure in its infancy, the arguments in favour of reform are compelling now that it has matured into the world's second largest civil aircraft supplier. One reason is that an ordinary corporate structure paying

ency in its accounts. This should enable Airbus's ultimate owners to judge whether further invest meni provides value for money. I should also reduce the threat of a trade war with the US, which is able to argue that foggy account-

A second, equally important reason-for converting to a limited company is that it would help improve efficiency and so enhance Airbus's chances of competing successfully in world markets. If Airbus owned its assets, it would find it easier to control costs. It would also have greater freedom to follow commercial considerations in awarding contracts to

At a time of deep recession in the airline market, the need to compete aggressively for orders is particularly strong. Boeing has already embarked on a far-reaching efficiency drive. Airbus's partners are doing the same, but not uniformly or with the same vig-our. One warying sign is that Air-bus has suffered a fall in net orders so far this year, while Boeing's order book is still rising.

Although Mr Pierson has now been persuaded of the case for speedy reform, this does not mean that the political battle has been won. The French government, in particular, will be reluctant to lose influence over Airbus's operations. But if greater freedom is necessary to secure Airbus's future, that is a price worth

# Russian land

PRESIDENT BORIS Yeltsin's decree last week, giving Russia's collective and state farm workers the right to buy, sell, lease and pass on their share of the land, is an unambiguously good move. It gives Russian peasants a longawaited right - and one long blocked by the now defunct Russian parliament - to emancipate themselves from state-serfdom and to become farmers, or to sell

of the most essential steps towards building a market econ-ony, but in Russia it has been particularly problematic, thanks to the conservatism of farm directors and to the inertia of the peasants themselves. Subsidies to inefficient state farms are a huge burden on the state budget. Privatisation will push them into the free market, which is already growing as the more enterprising make deals for their produce with traders and middleme But this is only the beginning.

People long ago forced into a style of agriculture which emphasised dependence on the state and which criminalised initiative cannot suddenly become efficient producers of food. Like Soviet industry, Soviet agriculture has been pounded into its present shape over decades: that shape is visible in the vast acreage of most farms, in the huge obsolescent tractors and combines and, most of all, in the inadequate storage facilities and hopeless roads via which a quarter of all production is

Corporation, shows how much preparation is needed for a successful transition. There, the owners are being guided towards anctions in a week's time which should see the emergence of a group of medium-sized farms run by farmworkers and bosses, with privatised machinery bases providing them with services. This approach will no doubt serve as a model, but will not be available in

- backing up the right to buy and

region by region.

Most contentious of all will be the sale of land to foreign compa-

r Zhu Rongji, China's economic testing times than these in his stewardship of the Chinese economy. Nor can China itself have entered a more critical phase in seeking to

expand its economic reforms.

When Mr Zhu surfaced in Shanghai a few days ago to open a bridge, it marked one of the very few recent public appearances for a man rarely out of the news in the first half of this year. China's senior vice-premier has had much on his mind, and on his plate, since he unveiled in July a 16-point austerity programme to control China's over-heating economy. For the measures - which have raised interest rates, curbed speculative real estate investments and imposed a credit squeeze on state enterprises - have antagonised entrenched interests in the central bureaucracy, and among

powerful local officials.
Under pressure from the provtuces, and from the state enterprise lobby at the centre, Mr Zhu, who in June assumed the role of governor of the People's Bank, the central bank, has begun to ease monetary policy. The bank loosened credit restrictions in August and September, allowing money in circulation to grow by Yuanlohn (\$1.75hn) compared with Yuanl 46bn in the same

period last year.

As the Communist party prepares
for the crucial third plenary session later this year of its 14th Central Committee, an important policymaking body, there are two ques-tions: have Mr Zhu and his reformist colleagues managed to preserve the integrity of measures advanced to cool an overheating economy; and perhaps more important, have they laid the groundwork for prog-ress towards the next phase of the economic reform programme.

At this preliminary stage it appears that Mr Zhu, having weathered harsh criticism over some aspects of his austerity package, is close to seeing a fairly ambitious programme for reform of the banking, finance, and trade sectors adopted by the third plenum. China is planning to stiffen the regulatory functions of the People's Bank to enhance its authority over monetary policy and enable it to concentrate primarily on fighting inflation; to unveil a radical reform of the taxation system, including the introduction of a new revenue-sharing formula between the centre and the provinces; and to further liberalise trade to satisfy requirements for accession to the General Agreement on Tariffs and Trade. Howaver, reform of crumbling state enterprises remains a murky area, and Mr Zhu may well have been obliged to back away from measures that would bring further hardTony Walker and Edward Balls on the trials of China's reformists as they try to cool an overheating economy

# Big chopper falls with a thud

ship to loss-making industries.

Little has emerged publicly of the heated debate within the Chinese leadership over the way ahead, but interviews conducted by the Financial Times with influential figures in economic policy-making have discussions. Mr Zhu, at a series of stormy private meetings in Beijing and the provinces, has been forced to defend his actions, especially those that have squeezed funds for state enterprises, some of which are

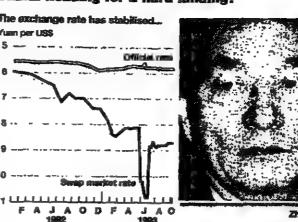
encountering wage difficulties. standing committee of the National People's Congress (which acts like the UK cabinet), and a leading econ-"Personally, I think Zhu Rongji's macro-control measures should be more flexible. Banks should quicken steps to provide loans to troubled enterprises. The negative effects are growing. If he is more flexible now, the economy will pay

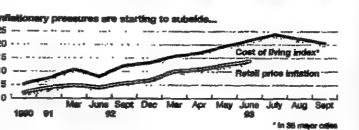
a lower price in the end." Other prominent officials such as Mr Ye Sen of the Commission for Economic Restructuring were more circumspect, although they made little attempt to disguise their misgivings. "It is very necessary to have macroeconomic controls, but we have to distinguish different situations - we cannot just cut with

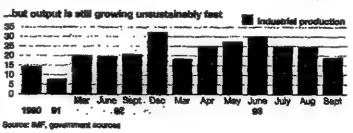
one big chopper," he declared.

Mr Zhu's "big chopper", a reference to the heavy-bladed kitchen utensil wielded by Chinese cooks, has certainly fallen heavily. But it has fallen less discriminately than Mr Zhu may have wished. His credit restrictions were aimed at recalling loans made to the "hot money areas of the economy, such as speculative property ventures. Commercial banks have since struggled to recover real estate loans, so instead have recovered funds from profitable state enterprises, which depend on bank credit to finance their working capital.

A significant proportion of the new credits which the government has released since September have been directed to state enterprises, many of them faltering industries which need continuous cheap loans to stay affoat. Such a move may make political sense, but hardly squares with Mr Zhu's policy of China: heading for a hard landing?







redirecting investment towards profitable enterprises. Commercial bank portfolios are bulging with what the Chinese classify as "over-due" loans, but are, in effect, nonperforming.

In defence of his measures, Mr Zhu is likely to have argued that initial gains in restraining unsustainable economic activity, and puncturing what had become known as the speculative "bubble economy", vindicate his approach.

His 16-point plan has, in effect, put an end to illegal interbank lending through financial intermediaries such as bank-controlled trust

and investment companies so-called "triangular debt"; drawn funds back into the banking system by clamping down on the lasuance of enterprise bonds; and stabilised the exchange rate in currency trading houses known as "swap centres". The exchange rate slipped to nearly Yuanii to the US dollar in June, while the black market rate depreciated even further. But higher interest rates and central bank intervention have since stabilised the exchange rate at about Yuan 8.7 to the dollar, while some

exporters complain that it is

increasingly hard to sell their for-

eign exchange.

The austerity package has also taken some of the steam out of inflation. Annual inflation in the 35 main urban centres was 20.7 per cent in September, down from 23.3 per cent in July. Prices of commodities are also down sharply. For instance, steel prices fell by 34 per cent in the third quarter. Retail

sales growth has also moderated. Mr Zhu has also managed to find the money for infrastructure proiects which were starved of funds in the first half of the year and, perhaps more important, he has ensured that restive farmers are being paid promptly for produce acquired by the state. Delays in honoring commitments to peasants had provoked political unrest.

n the six months to June, only 19 per cent of big con-struction projects under the present 1991-95 five-year plan were being adequately funded. The figure had risen to 70 per cent by September. However, fixed asset investment fell by more than 10 per cent in August over July, although the heady capital spending of the early part of the year resulted in a nearly 70 per cent increase in the eight months to August compared with last year.

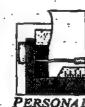
But Mr Zhu is not out of the woods yet. World Bank officials express concern that monetary policy has been loosened, even though inflation remains high and industrial output and retail sales are both rising by more than 20 per cent a year. Meanwhile, senior leader Deng Xiaoping's recent reported intervention in the economic policy debate to urge a commitment to reform and to continued economic growth was seen as a possible strike

against party conservatives.

The reformists are engaged in a delicate balancing act: they must exercise continuing restraint over an economy expected to grow by 13 per cent this year, at the same time they must confront the political difficulties associated with pressing further ahead into the uncharted waters of China's reform process. Mr Zhu will be worried that in his attempts to restrain activity he risks a hard landing, which may impede his ability to implement the reforms necessary to avoid another boom-and-bust cycle; but if he yields too much ground to those urging an easing of credit he risks a resurgence of inflation.

"Zhu Rongji has a much bigger agenda than slowing the economy, said a western official in Beijing. "Without the next stage of reforms of the institutions of macroeconomic policy, he knows that China will continue to run the risk of excess demand and instability ... He is trying to put the thread through the eye of a very small

# Nuclear answers need right questions



review of the UK nuclear industry, scheduled for 1994 and then brought forward to 1993, is getting off to a slow start. The PERSONAL Treasury, VIEW Department of

Trade and Industry and the Department of the Environment disagree about the scope of the terms of reference and discussions are stalled awaiting the decision on whether the Thorp repro-cessing plant is to go ahead.

The terms of reference could be narrow, as Mr Tim Eggar, energy minister, hinted in June, when he identified the central question as: Would new nuclear power stations be commercially viable in the UK ... without any subsidy from government or taxpayer." A narrow review is unlikely to do more than conclude that the industry may build new plant if it can find private capital. With such terms of reference the review will be futile. Nonetheless, this is apparently the route that government would like to take, because it is consistent with the market-led energy policy. stoutly reaffirmed in the White Paper, The Prospects for Coal. The danger of a market-led policy is that it is at the mercy of market distortions. These distoritons are serious in the energy sector, and have led to the perverse closure of viable coal mines and power stations while gas-fired plant are opened at higher costs. Taking the same approach to the nuclear industry is likely to

have the same effect. The situation is pressing. The ageing and obsolescent Magnox plant and, very soon, the first of the be replaced if the nuclear industry is to have a future, and if it is to continue to make the 20 per cent contribution to UK electricity supply wisely proposed by the then energy secretary, Cecil Parkinson, when he designed the privatisation of the electricity supply industry.

Many advantages of nuclear power are not expressed in the marketplace. Supply is secure compared with natural gas, which in the next few decades will have to be brought from ever-more remote areas. Nuclear electricity is one of the few energy forms which pays its environmental costs. If the idea of climate change arising from the greenhouse effect is taken seriously, then it is important to be able to express this benefit in decision-

In the US, Congress has written into the 1992 Energy Policy Act the idea of integrated resource plan-

The danger of a market-led policy is that it is at the mercy of market distortions

ning, which will provide the means to measure the social impact of energy planning. Something similar is needed in the UK. The review offers the opportunity to develop acceptable means of incorporating non-market factors into decisionmaking to establish a balanced portfolio of cost-effective, clean and

secure energy sources.
It is one thing to establish what

**OBSERVER** 

should go into this portfolio; it is another to achieve it in a sector that is largely privatised and market-oriented. The City would not buy nuclear generators the first time round. In the event, Nuclear Electric and Scottish Nuclear performed well, with output per employee rising by more than 50 per cent in three years, and costs falling and profits rising rapidly.

But the fundamental obstacles to privatisation remain; the perception possible habilities from decommissioning, fuel reprocessing and waste disposal are intimidating for private investors . There is still incertainty about the cost of electricity from any new nuclear plant. We believe that electricity from a Sizewell C can be competitive with gas, but it is a question of convinc ing prospective investors. The main economic advantage of nuclear is that, once built, the fuel costs are low and stable and, therefore, so is the price of electricity.

A new nuclear plant is unlikely without government support. Government must find mechanisms which are coherent with Brussels' competition policy.

ing could be by issuing hypothecated government-backed bonds: access to markets could be facilitated by obliging regional electric-ity companies to contract part of their requirement over, say, 30 of power stations could be auctioned, with conditions specifying fuel choice, giving government influence over the type fuel burnt, while maintaining competition.

But the best answers will not be found without asking the right questions. The first step is a broad review seeking the methods of measuring the social impact of energy choices and then the means of implementing the desirable choices.

> Ian Fells and **Nigel Lucas**

The authors are, respectively, professor of energy conversion, University of Newcastle-upon-Tyne, and professor of energy policy, Imperial College of Science, Technology and Medicina

### The Nighny Novgorod region, test bed for reform in association with the international Finance

that right to others. Privatisation of farmland is one

many parts of Russia. The state must thus play an active role for some time to come sell, ensuring that conservative directors do not render it meaningless. Mr Yeltsin's decree creates a state inspection service with this task: like the relatively successful state property commit-tees, this must gird itself for prolonged and potentially disruptive conflict with vested interests,

nies - though the decree clearly allows this, in association with Russian partners. The taboo has to be broken if foreigners are to be encouraged to become part of Russian reform. The first signs of confidence are returning to foreign companies after the roller-coaster of the past two years. Provided it is properly implemented, this measure could do more than any other to strengthen it, and at last begin

to raise the Russian economy from

### Sir Peter, OED

■ One might have thought Sir Peter Middleton, donnish former permanent secretary to the Treasury, would have delighted Bank of England directors last week with his wholly unexpected remarks about the desirability of Bank independence. But the terms in which he couched his remarks have done nothing to endear the waspish ex-mandarin to several directors of the court. In evidence to the Commons

Treasury and Civil Service Committee last week. Sir Peter opined that the composition of the court would have to be changed if the Bank were to assume control in setting interest rates. In particular, all the members would have to be committed to fighting inflation, he went on, "unlike the present mob who look rather like a pressure group in the opposite

Sir Peter, who did not return telephone calls to elaborate on this statement, was doubtless referring to the widespread assumption that many industrialists are less than fanalical about keeping inflation at bay, believing that a degree of price pressure may oil the wheels

of the economy. False, cry the outside directors. Sir Christopher Hogg, chairman of Reuters, says he considers the remarks "very strange", while Sir

John "Chips" Keswick, chairman of Hambros Bank, says he has never met an industrialist either on the court or off it who doesn't think inflation is appalling". Another court member thought Sir Peter was being "fatuous". The longest-serving Bank non-executive. Sir Adrian Cadbury, termed Sir Peter's comments "totally incorrect".

Sir Peter does have the occasional lendency to upset people, which may have been one of the things that counted against him when he was supposedly in the running for the governorship of the Bank before Eddie George was chosen.

### Lack of the Irish

■ The London office of the Suropean Parliament, doing its bit to celebrate the onset of Maastricht, yesterday invited an expat from each of 10 states of the Suropean Community - sorry, Union - to talk to the press about their new-found rights both to vote in next year's Euro-elections as well as to participate in local polls at a later stage. Somehow misfrom the line-up was ireland.
Joëlle Garriaud-Maylam, elected

representative of the French community in the UK and Ireland. went on the defensive by explaining that, while Ireland's ambassador had been invited, the Irish did not actually need to take part in this particular celebration since "for historical reasons" they have had

A MARTIN CONTRACTOR OF THE CON

# TUBILEE LINE UNFINISHED ENLINES RIPENARES

the vote in the UK for many years. But this falled to satisfy one Irish member of the audience, who suggested that they could have hastily substituted "any Irish building labourer" in the event of the ambassador's no-show. "But i suppose alongside all those lawyers and actors, that would have heen a bit embarrassing."

BANK

### Stationary

More klazons wailing in the long-running offensive between Northumbria Ambulance Service's chief executive Laurie Caple and

### Labour MPs from the north-east, bitterly opposed to Caple's management style and his enthusiasm for commercial

income-generation schemes, have tabled an early day motion drawing attention to the latest in a series of tussles over subjects ranging from employees' conditions and dismissals, to the auditing of NAS accounts and the purchase of personalised NAS number-plates. It transpires that the £70,000 American-made Chevrolet

ambulances ordered by NAS do not fit into some of its more modestly proportioned garages. "There's an element of farce about it all, but it clearly calls into judgment the competence of the

original decision to buy the vehicles," says Newcastle Central MP Jim Cousins. But NAS will have none of it. We've only ordered six, it says. and they will happily fit into 19

of the 24 garages. Observer just hopes that the right ambulance will be in the right garage at the right time.

### Panoramic view

■ Former KGB major-general Oleg Kalugin had reason to fear arrest throughout most of his eminent spying career, not least during his stint as a Soviet agent in the US. His escape from punishment at the hands of the KGB itself, when he publicly exposed its ruthless

something of a feat. So he can't have been expecting the handcuffs to snap shut at Heathrow airport over the weekend as he tried to slip into Britain on a brief Kalugin may not have been up

to his old spying tricks, but the British authorities could have been unsettled by his latest counter-espionage mission - taking up the invitation of the BBC's Panorama programme to talk about

Perhaps they were serving Kalugin, who was later released. a none-too-subtle hint that the kind of frankness he had demonstrated in exposing the KGB's deeds was less than welcome in the west.

Alternatively. Kalugin's troubles may date back to the interview be gave to The Mail on Sunday in April. Therein, he took it troon himself to spill the beans as to how the KGB had supplied Bulgarian 'colleagues" with the infamous umbrella that fired poisoned pellets to kill a dissident in London 15

Kalugin described the weapon in detail: he also revealed that it had been tested by his department first on a horse, which died, and on a man, who didn't.

Blindingly obvious ■ How many PR men does it take to change a light bulb? "None that

I am aware of, but that's a personal



# FINANCIAL TIMES

Tuesday November 2 1993



IBA

# Japanese investors paid in toilet paper

day to 19,438,24.

Since Japan's traditionally low

payont levels have never been

much of an incentive for inves-

tors - the current average yield

for the Tokyo market is about

for progress on the joint propos-als produced by Mr John Hume,

leader of the constitutional nationalist SDLP, and Mr Gerry

Mr Major yesterday accepted a

request from Mr Hume for a

meeting to discuss the proposals, but the government has ruled out even indirect contact with Sinn

Féin until the IRA declares an

inconditional constitution. In Belfast, Mr Adams attempted to resuscitate the

Hume-Adams proposals by issu-

ing a statement asserting that "the leadership of the IRA wel-comed the initiative and pointed

out that it could provide the

However, the government is determined to addeline the Flume-

Adams proposals to mollify the

Unionists, who have ruled out a

return to round table talks

involving Mr Hume unless the SDLP leader repudiates his links

In a further incentive to the

Unionists, Mr Major linked the resumption of round table talks

to the Irish government's offer to

hold a referendum on dropping

the republics's constitutional

basis for peace."

with Sinn Féin.

Adams, president of Sinn Féin.

By Emiko Terazono in Tokyo

FUND MANAGERS investing in Japanese stocks may find themselves with a pile of manure and toilet paper. Forced to cut dividends as earnings are hit by the country's prolonged economic slowdown, companies are starting to compensate share-

holders with produce instead. With most Japanese companies expecting an earnings decline for the fourth successive year, more shareholders are suddenly being deprived of their dividends.

n, a farming machinery maker listed on the Osaka stock exchange, says that instead of dividends it sent its 1,900 share-

holders bags of fertiliser made from manure and studge, while Nippon Pulp and Paper gave 24 rolls of toilet paper to every stockholder. The move also helps companies reduce inventories.

Jananese workers are already sacrificing bonuses to help their employers. Managers at NEC last year agreed to accept vouchers which can be swapped for computers and television sets instead of year-end payments.
Some companies hope the gifts

will help restore confidence, especially among retail investors disheartened by stock market scandals and last year's plunge of the Nikkei average to a six-

The government had hoped that last week's flotation of East 0.7 per cent – companies also hope to lure investors with prod-Japan Railway (JR East), the ucts. In the late 1980s, holders of partially privatised regional rail-way operator, would bring retail inventors back into the stock market. However, massive profit Tokyo Electric Power shares were presented with kettles.

Amid public anxiety surround-ing a shortage of rice due to this taking in JR East shares clogged year's bad summer, Shinden, an up the Tokyo stock exchange's electric appliance discounter based in Niigata, northern computer system, sending the market below the psychologi-Japan, has decided to send sharecally important 20,000 for the holders bags of premium brand first time in three months. The Nikkei fell 264.73 points yester-

And as for the products now on offer, "I don't know what I'd do with the manure, but I could do with the tollet paper," says Mr Patrick Thompson at Vieming Investment Management in Lou-

# **US** output few jobs

By Jurek Mertin in Weishington

THE present US expansion in manufacturing continued in October, but with little evidence of a wave of job creation, according to the National Association of

Purchasing Management.
Its monthly index of economic activity, based on reports by purchasing executives, rose to 53.8

Production was at the highest

significantly in October, with new export orders rising for the third consecutive month. Inven-

main index had averaged 51.8 per cent over the first 10 months of this year, said a continuation of October's levels for the final two months would imply an overall real growth in gross domestic product for 1993 of about 2.6 per

able gains in productivity.

ber compared with September were furniture, fabricated metals, plastics and rubber, leather and transport equipment.

Meanwhile, the Commerce

ing, this was the fifth consecutive month of increase.

# expands but are created

per cent last month from the 49.7 per cent of September. Any read-ing over 50 per cent indicates

level since last March, with 15 of the 20 industrial sectors covered reporting improvement over September. The new orders index jumped to 60.8 per cent compared with 50.3 per cent in the previous month and was the highest since the 67.2 per cent recorded in Jan-

The backlog of orders increased tories and prices also fell.
The NAPM, noting that its

Nevertheless, manufacturing employment fell again in Octo-ber, although by a much smaller amount than the previous month. The employment index stood at 45.5 per cent, up 1 point from September and the highest since September and the hignest successful last March. A reading below 48 per cant indicates no net growth ment figures do imply measur-

The only industries reporting growth in employment in Octo-

Department said spending on new construction projects rose by 0.8 per cent in September. The result mostly of new home build-

# Major to unveil new peace plan for Northern Ireland

By Kevin Brown and David Owen in London and Tim Coons

THE British government promised yesterday to table a comprehensive peace plan for Northern Ireland if the province's four non-violent political parties agree to fresh peace talks.

Mr John Major, the prime min-ister, told Parliament the proposals would give "focus and direction" to the so-called three-strand talks, which collapsed last year when the Unionist parties walked

Mr Major gave no details of the peace plan, but his office said it was an attempt to bring about a permanent settlement of the Northern Ireland conflict

The plan is believed to focus on the establishment of a Northern Ireland assembly and the revitalisation of local government. it also builds on the agreement

between the British and Irish governments in Brussels last week, which set out a framework for talks with all Northern Ireland parties except Sinn Fein. the political wing of the IRA.

The plan is aimed largely at the Ulster Unionists, who have long sought to remove control of the province from London.

US review of

unitary tax

Continued from Page 1

the unitary system.

Unionist party (UUP), suggested that the government might have to offer further concessions on the structure of the talks to tempt the Unionists back to the negotiating table.

Initial reaction from the Ulster

Mr John Taylor, the party's spokesman on Europe, welcomed the prospect of fresh proposals but dismissed the round table for mat as "flawed."

He called for the plan to be discussed in bilateral meetings between the government and the constitutional parties. Sir Patrick Mayhew, the North-

ern Ireland secretary, said the peace process could resume with "bilateral private discussions to clear things out of the way, bank what is bankable from last time, and to see what ultimately is a really serious obstacle. Then may be the time to sit round the table."

Ministers were also drawing comfort from the measured response of Mr James Molyneaux, the UUP leader, who plans to take wide soundings among UUP members before commenting later this week.

Mr Major's decision to offer a fresh incentive to the Unionists to reopen round-table talks

### claim to Northern Ireland. Unionists welcome move. Page 8 marks the end of any prospects British chancellor wins

agreement on spending cuts

Colgate cases, the Supreme Court the next three years. will revisit its 1983 decision in a The other areas which will probably be cut heavily in the case brought by Container Corp, in which it upheld the fairness of unified budget on November 30 are housing and roads, the local Barclays' argument against the unitary method is that by running against the grain of internaauthority grant settlement and inner city regeneration schemes. By contrast, the Department of Social Security, headed by Mr Peter Lilley, should emerge as tionally accepted tax practice, it interferes with the federal gov-

ernment's authority over foreign one of the biggest "winners" in the public spending round.

Mr Lilley has agreed to accept some barsh measures to curb the growth of invalidity benefit payconstitution.

Colgate also argues that if the court outlaws the method for forments and to crack down on benefit fraud. But at meetings of the cabinet's EDX committee, where The cases are expected to be spending levels are thrashed out, argued next March and finally there has been general agree-ment that the social security bud-

get should continue to rise in real

FT WORLD WEATHER

Real increases in the budgets for health and education are also expected to emerge in the budget later this month, although they will be at a slower rate than in Yesterday's statement took

MPs by surprise because there had only been a limited opportu-nity to discuss public spending at last Thursday's cabinet meeting, which was dominated by Northern Ireland.

Last year, five sessions of the cabinet were required to reach general agreement on spending levels in the run up to the Autumn Statement. By contrast, departmental spending should be agreed this year after only two resistons of the cubinet.

Europe today

decided by the end of June.

commerce, enshrined in the US

eign-owned companies, it should

provide equal protection for US-owned multinationals.

A depression over the Gulf of Biscay will cause showers over Spain, Portugal and southern France. Northern Italy will have rain, while thundery showers will break out in southern regions. The British Isles will be cloudy with outbreaks of rain over the south-west. The Alps will be overcast but will remain dry. Northern France, the Low Countries and Germany will be cloudy with persistent fog in places. There will also be widespread log in southern Scandinavia. Eastern Europe will have calm weather under an expansive area of high pressure. Poland will be mainly cloudy, but Hungary and Slovenia will have sunny periods. The Balkan states and Greece will be

### Five-day forecast

A series of low pressure areas will bring cloud and outbreaks of rain to the British Isles. The Low Countries, northern France and Germany will be cloudy but with sunshine as well as local showers. Temperatures will rise to more seasonable values. The Iberian peninsula, southern France and Italy will continue showery. From Friday, showers will develop over the Balkan states. High pressure and Europe.

TODAY'S TEMPERATURES



### THE LEX COLUMN

# BT's cheap chatline

BT's decision to turn price cuts required by the regulator into a marketing drive deftly makes a virtue of necessity. Its RPI-7.5 per cent price control is a heavy ball and chain to carry. BT was also a little unfortunate that the low inflation rate in the month when the irons were clamped on has made the burden heavier - the company has to cut prices by £500m this year. Yet it chose to announce only £150m of the reduction yesterday. From a marketing perspective, it perhaps makes sense to spin out the good news and ram home one message at a time. It soothes the profit and loss account to go slow on the implementation of lower tariffs, as the regulator has already noted. BT is well within its rights. Yet upsetting Offel might be

The weighting of price cuts is signiflcant. BT has focused on domestic cus-tomers as competition from Mercury and cable companies increases. Since competition in business services has already cut margins, defending or acquiring domestic customers is the logical next step. Further initiatives will probably be in a similar vein. Such price initiatives may blunt the erosion of BT's domestic base and slow Mercury's advance. Yet if the focus is away from the business market, its impact on Mercury's profitability should be limited.

As Mr Michael Hepher, BT's managing director, points out, telephone systems have high fixed costs. They also require high capital spending. Any increased use of the system is thus welcome. To prosper, RT is going to need to use good marketing to stim-ulate those domestic call volume to a that the watchdog is biting and the competitive wolf is at the door.

### Queens Moat Houses

It is a fair bet that Weatherall Gre and Smith will not be seated next to Jones Lang Wootton at the chartered surveyors' Christmas bash. The striking disparity in the two firms' valuations of Queens Most Houses' hotels has caused a furore among property valuers. It is of particular alarm to the owners of QMH's £215m mortgage lebenture stock. They previously believed their stock was generously secured on several of QMH's hotels. They now discover that the revised value of that property no longer covers the nominal value of the outstand-

ing debenture stock. Undoubtedly, there are particular difficulties in valuing hotels. A hotel's FT-SE Index: 3164.4 (-6.6) UK market yield FT-A All-Share dividend yield (%)

1988 88 80 91 92

income stream can vary enormously depending on market conditions, and future forecasts rely on subjective opinion. How that income stream is capitalised to give a present value is also fraught with difficulties. In QMH's case, these calculations were perhaps especially tricky. The fixed fees QMH derived from many of its hotels may have induced a false sense of security about future income flow.

Nevertheless, the Royal Institution of Chartered Surveyors should or Chartered Surveyors should urgently review its valuation procedures if the profession is to retain credibility. As for debenture holders, they will always depend on vigilant and active trustees to protect their interests, But that task would be creatly simplified to be creatly simplified to be constructed. greatly simplified if borrowers were obliged to provide prompt and full dis-closure about valuation criteria. That may raise issues of commercial sensitivity. But it would also provide its own rewards: those revealing such immation should be able to secure funds more cheaply.

### UK budget

There is a timeliness to RZW's warning of possible action in the budget to remove the institutions' tex credit on dividence. Other options for raising revenue by pushing up indirect taxes look less attractive, given the strength of political opposition and worries about their impact on the headline rate of inflation. Mr Norman Lamont's initial attack on the credit in April passed with minimal protest. Granted, the equity market fell as it adjusted to lower yield horizons, but that has long been forgotten in the dixxy heights reached subsequently.

There is a beguiling argument that, by removing the credit, the government would be creating a level playing field where institutions receive the same return as other investors. In reality, its main purpose would again be to raise revenue. One way or another, companies would end up pay-ing, most probably through an early end to pension holidays such as BT and Guinness have already impounced. That would have the same effect on their cash flow as an increase

in corporation tax.

Nor is there much consolation in the thought that increased pension fund contributions would find their way back into equities. The chances are that an increasing proportion would flow into higher-yielding gilts to meet actuarial requirements on return. Mr Clarke might be deterred by the desire to avoid his first budget being greeted by a slumping stock market. Then again, he would doubtless be delighted if the counterpart was a rising gilt market - in which he will still have to fund a large deficit next year.

### Bradford & Bingley

The rules on German mortgage lending look so advantageous to lenders that one is surprised that Bradford & Bingley is the first building society to open a Bausparkasse there. Not only does Bausparkasse lending carry a guaranteed margin of 2 per cent. The minimum loan-to-value ratio of 80 per cent means the risk of bad debts smaller than in the UK where B&B is currently lending up to 95 per cent of a property's value. Besides, Bausparasse borrowers must save with the institution for at least 18 months before taking out a loan.

Nothing comes without a price, of course. B&B has jumped the first hurdle of obtaining its licence. Now comes
the struggle to acquire a share of a
market which is pretty well stitched
up by established operators. B&B reckons its German operation can become
profitable on the basis of a 1 per cent market share. That, though, would hardly constitute a meaningful diver-sification for Britain's seventh largest building society. Yet B&B deserves applause for having latched on to the ng-term opportunities in a market that is opening up, particularly to insurance products. Exploiting these opportunities will require patience, but quick-fix efforts at diversification can easily end in tears, as Abbey National's humiliating foray into French commercial lending shows.

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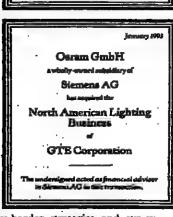


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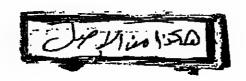
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**OTHE FINANCIAL TIMES LIMITED 1993** 

Tuesday November 2 1993

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### INSIDE

### Union asks Volvo to postpone merger

A Swedish trade union leader has called on Volvo to postpone next week's vote by shareholders on the proposed merger of its car and truck operations with France's Renault, saying more time was needed to assess the deal. Union support is important to Volvo because many top labour fig-ures sit on the boards of shareholder institutions.

Norway's lifelines may net gains Christiania Bank and Den norske Bank, Norway's two biggest banks, were forced to their knees last year under the burden of losses and the state threw them lifelines in the form of funding. A year later, the banks are on the road to recovery and planning share issues which could not the state large windfall gains. Page 22

### Upjohn outperforms

Upjohn, America's 12th largest drugs group, has been one of the best-performing US pharmaceuticals stocks this year. The outperformance is based on the belief that the group has become a takeover cendidate. Page 25

### ST dwarfs the market

Singapore Telecom (ST), the telecommunications and posts utility, made its debut on the Singapore stock market yesterday, quickly dwarfing other companies and accounting for about half the total valuation of the market. Page 26

### ASW issues warning

Shares in ASW Holdings fell 41p to 147p yeaterday after the Welsh-bessed stael products group issued a profits warning because of rising scrap prices and lower selling prices in the continental European market. Page 28

### Bass buys into Czech brower

Bass, the UK's leading brewer, is to acquire a 34 per cent stake in Prague Breweries, the second largest brewer in the Czech Republic, for 29m

### Xerox claim threatens silver

Silver's biggest market could be threatened in the long term if Xerox's claim to have developed a allver-free film process is justified, said analysts yesterday. Worries about the Xerox breekthrough forced sliver's price in London down by 15 cents a troy ounce, or 3.4 per cent, to 423.5 cents yester-

### JR East out of favour



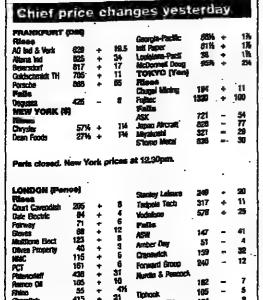
at Y600,000, lost Y28,000 to Y492,000, slipping below the psychological support level of Y500,000 for the first time since its debut on Tuesday. The drop forced the Nikkei average down 1.3 per cent.

### Market Statistics

FT guide to currencies Firencial fatures

Localon stane service
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# Capital Cities in stock buy-back

By Frank McGuirty in New York

CAPITAL Cities/ABC has offered to buy from its shareholders up to about 12 per cent of its exist ing common stock which could st the cash-rich group between \$1.18bn and \$1.26bn. The move stands in contrast to

the emphasis within the US media industry on building technological alliances though acquisitions and joint ventures Capital Cities, which owns the

esterday's Y590bn (\$5.5bn) collapse of Mura-

moto Construction,

Japan's largest since the second

world war, sends a chill through

the banking industry at the worst possible time.

The hig question hanging over

the Japanese banking system

yesterday was whether the dam-

age from Muramoto would be

localised, or whether the harm to

its 50 bank lenders would trigger

other collapses among construc-

tion industry suppliers. Bank of

Japan and finance ministry offi-

cials last night played it down, predicting that the collapse was

unlikely to destabilise Japan's

adverse effects to creditor banks

will be inevitable. But overall, I

think they can absorb the loss

through their financial strength,

said a senior central bank offi-

cial. The Bank of Japan would

monitor the effects on lending

banks and on the general econ-

omy, but did not expect "any sig-

nificant adverse impact," he said

The western Japan-based com-

teny's decision to file for protec-

consequence of over-investment

during the fast rise in asset

prices of the late 1980s, in over-

valued golf courses, condomini-

The most over-extended prop-

erty companies collapsed immedi-

ately after the puncturing of

property prices two years ago.

Muramoto, however, managed to

struggle on, only to hit the bank-

ing system at a moment when

banks are already cautious about

lending, in the middle of the

worst recession since the 1978 oil

A mark of the seriousness of

the construction industry's reces-

sion came yesterday with the

ums and other properties.

"The total is so large that

financial system.

announced yesterday its president and chief executive, Mr Daniel Burke, 64, would retire in February. Mr Thomas Murphy, chairman, will assume the duties of chief executive while continuing in his current position. The enhanced role for Mr Murphy, 68, is surprising. Industry observers had expected Mr Robert Iger, who as president of the television network helped increase the profitability of its prime-time programming, to be given at least

one of Mr Burke's titles.

Shock runs through a

decline in construction orders

among the top companies for 19

years - down 22.3 per cent in the

six months to September, accord-

ing to the Japan federation of

Currently, both demand for

and supply of credit are weak across the economy. Industrial

companies are reducing invest-

ment and cutting excess capacity

built up during the latest 1980s, while banks are keen to avoid

adding to their already heavy bad

The top 21 banks' bad debts

'It is a familiar

consequence of

over-investment

in over-valued

golf courses and

other properties'

stood at Y12,700bn at the end of

- just over 3 per cent of loans -

stace when they are believed by

the Japanese press to have risen to more than Y14,000hn.

t is no surprise, therefore.

that outstanding loans at the

leading 11 commercial banks

fell by 0.5 per cent in the six months to September, the first

six-monthly drop recorded since the federation of bankers' associ-

ations of Japan started its sur-

there is a credit squeeze and has

sent out a directive to its mem-

bers to maintain a supply of credit to industry. Yesterday's

The federation denies that

Veys in 1964.

construction contractors.

debilitated system

Under terms of the tender offer. Capital Cities has invited shareholders to specify a price within a range of \$630 to \$590 a share - at which they are willing to sell their stock.

Assuming the offer - known as a Dutch auction - generates sufficient interest, the company will then determine the lowest price at which it would able to buy 2m. shares and proceed with the nurchase of all shares offered at or

below that price. On Wall Street early vesterday.

news can hardly encourage

It was unclear exactly what

triggered Muramoto's lenders to

withdraw their support when

many other financially shaky

construction and property com-

panies continue to be kept afloat

Muramoto began work on a

debt restructuring last April,

Daiwa Bank and Nanto Bank, the

main regional bank in Nara pre-

fecture where the company is

based. Muramoto has close links

with Nanto bank, as the bank's

second largest shareholder, with

a 2.5 per cent stake.

Daiwa has every interest in

avoiding another expensive

imbroglio after having had to

splash out Y70bn earlier this year

to rescue Cosmo Securities, a

their own management into Mur-

amoto, in line with Japanese

banking practice, and proposed

to change the company's presi-

dent and liquidate its assets.

However, other lenders opposed

the restructuring scheme, with

Teikoku Databank, a private

credit research agency, believes

banks were prompted to with-

draw support on the discovery of large off-balance sheet loans by

Muramoto to its own contractors.

Failures of property companies

that had undertaken joint devel-

opments with Muramoto contrib-

uted to a sharp rise in bad debts.

Muramoto would not comment

and Nanto Bank simply said it

judged that further support

would not improve Muramoto's

If Teikoku's theory is true.

then the Muramoto collapse

said Teikoku.

itself unable to bonour its bills.

The main bank creditors put

stockbroking affiliate.

by their banks.

the shares were \$5% higher at \$615 in light trading. Capital Cities said it had

decided to make the offer because it was the most attractive use for its cash surplus of about "Acquisitions have not been available at prices the company believes would result in attrac-

said the company. It said that after the stock

repurchase it would have ready access to sufficient capital to pur-

sue attractive investment opportunities that may arise. The company added it had

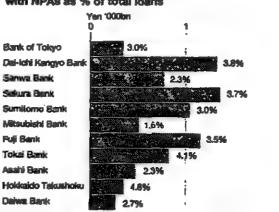
already paid off all of its long-term debt currently available for repayment, including about \$500m in liabilities this year. Mr Peter Appert, an analyst with CJ Lawrence, the New York securities house, said the offer shows Capital Cities is going to stick with its financial discipline and not get sucked into the

euphoria over consolidation and

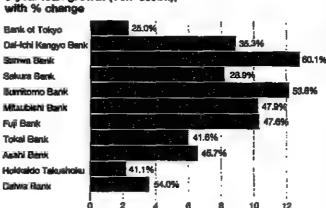
# William Dawkins looks at the effects of the fall of Muramoto Construction

Non-performing assets (Yen '000bn), with NPAs as % of total loans

Japanese bank exposure



5-year loan growth (Yen '000bn),



could be localised, rather than being read as a more worrying signal that banks are unable to

afford the continuing risk. Until yesterday, Muramoto was an obscure unquoted family controlled company, Japan's 24th largest construction group, virtually unknown outside Nara prefecture, where it is a pillar of the industrial establishment. Founded in 1908, it has 2,200 employees and recorded sales of Y291.5bn in the year to June, on which it made a Y2.8bn loss due

to heavy interest payments.

If previous failures of this scale are any guide - such as the Y520bn collapse of the Sanko Steamship shipping company seven years ago - Muramoto's creditors will now attempt to rebuild the remnants into a going

It took Sanko Steamship's banks four years to restart the company, the largest post-war bankruptcy at that time. Muramoto lawyers were yesterday quoted as saying that it would take 10 to 15 years to restructure the construction group.

### **Building** society sets up German operations

By Alison Smith in London

BRADFORD & Bingley, the UK's seventh largest building society, has become the first non-German institution to be given permission to set up a Bausparkasse. the German equivalent of a

building society. The society said yesterday that it would establish two operations in Hamburg: a Bausparkasse and a marketing company. The latter will distribute the B&B Bausparkasse tariffs, or contracts, through brokers and sales companies. It will also target independent insurance and investment houses, which could add B&B products to their ranges. Most German societies are owned by insurance companies or by banks with a link to an

insurance company. The move marks a further stage in UK societies' Interest in developing businesses in continental Europe. Halifax, the largest society, has been granted a licence to take retail deposits for

mortgage lending in Spain.
The B&B Bausparkasse will open in January and take deposits for 18 months before issuing loans. B&B believes the project will make a small profit in its first full year.

It aims to win 1 per cent of the market. The 34 existing Bausparkassen accounted for DM4.5bn (\$2.7bn) in net lending in 1991 some 15 per cent of the total, according to the Bundesbank. About 17m Germans have contracts with Bansparkassen

Formerly, the German home loans market has been served almost exclusively by domestic institutions, apart from loans made by foreign-owned banks.

While the relatively low level of home-ownership - 40 per cent of Germans are owner-occupiers - compared with 67 per cent in the UK makes the German marrequirements have deterred other societies from establishing operations.

Mr John Smith, B&B's finance director, said the German system of fixed rates for lenders and savers had benefits for both sides. The move represented "a good way into a major market without any great balance sheet risk". B&B also believes that the operation will enable it to market financial services. It should leave it well placed for the opening up of the life insurance industry when the EC's third life directive comes into effect next July.

# McDonnell Douglas beats recession and expectations

MCDONNELL DOUGLAS, the US aerospace group, yesterday reported record third-quarter earnings of \$142m. It also forecast it would top Wall Street's expec-tations for the full year, despite the sharp downturn in US defence spending and a recession in the civil aviation industry.

The results underscore a yearlong financial recovery at McDonnell Douglas, helped by a large cost-cutting programme. Its shares rose \$2 on the New York Stock Exchange, to stand at \$95% at lunchtime.

The earnings worked through at \$3.62 a share, compared with a loss of \$42m, or \$1.09 a share, in the same period last year, when McDonnell Douglas took a \$167m after-tax charge on the C-17 military transport. Revenues dipped

from \$3.89bn to \$3.43bn.
Its military aircraft operations made \$142m, compared with a \$166m loss. Commercial aircraft made \$16m, down from \$37m, and missiles made an unchanged \$65m, despite a \$51m pre-tax charge for electronic systems

The figures were affected by various special items, resulting in a net unusual gain of \$41m. Stripping this out, the company made \$101m, or \$2.57 a share in the quarter, and \$308m, or \$7.85 per share in the first nine months

The period saw further improvement in the company's balance sheet, with debt of its manufacturing side falling \$369m to \$1.97bn, 29 per cent lower than at the start of 1993.

Mr Herb Lanese, finance direc-

posed aims of cutting debt to \$1.8bn by year-end and generat-ing \$1bn in 1993 cash flow, now eared conservative.

So too were Wall Street fore easts that the group would earn \$10.78 a share from operations for the full year, or \$2.93 in the final quarter. The company expected to top the record \$3 a share it earned in the final quarter of 1968. These figures exclude any charges the company might make for the C-17. McDonnell announced last

week that such a settlement could mean a \$450m pre-tax charge against earnings but would not mean a significant eash impact and would allow the C-17 programme to continue. Congressional officials have suggested the initial programme size could be cut from 120 aircraft

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from Elonex? Probably less than you would imagine. Our highly experienced network engineers provide pre-sales support, system configuration, training and unlimited telephone hotline support as part of the overall system cost - not

### tor, said the company's self-im- to W. Hotel valuations cause a stir

### By Andrew Jack and Michael Skapinker

ASK UK chartered surveyors about property valuations and they raise their little red book of professional guidelines. But this revered text has been called into question following the widely divergent valuations given to the assets of Queens Moat Houses,

the hotels group. In QMH's accounts for the year to December 31 1991, Weatherall Green and Smith, a leading firm of chartered surveyors, valued the company's properties at £2bn. One year later, a draft valuation by the same firm offered a figure of £1.35bn. QMH opted instead for a rival valuation from Jones Lang Wootton which was still lower at just £861m. QMH's

assets include more than 22,000

rooms in 189 hotels, in the UK, Germany, France, the Netherlands, Belgium and the US. The size of the discrepancies has become a talking point in the

profession. One surveyor said: "It doesn't help our reputation, but there are very few incidents where you have a disagreement as large as this." The Royal Institution of Char-

tered Surveyors, which produces the red book, has launched an investigation into the differences. Officials stressed, however, that there was no evidence the two firms had breached its valuation

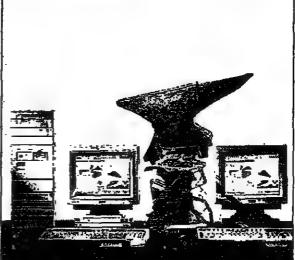
A number of factors may explain the divergent figures. The hotel sector was in decline during 1992, which could account for the fall between the 1991 and

tions. Weatherall's 1992 estimates were prepared several months before those made by Jones, by which time the market had deteriorated further. Equally, it is unclear whether

the two sets of figures were prepared on the same assumptions. Jones may have been asked to estimate a worst-case for sale of hotels in the current depressed market, while Weatherall may have assumed the hotals did not need to be sold. Mr Russell Kett, an associate

with the hotel and leisure consulting division of Touche Ross, says: "The reason that many hotels have gone into receivership in the last two years is as a result of properties being ascribed values which have proved unsupportable against

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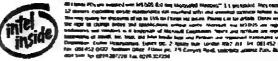
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### INTERNATIONAL COMPANIES AND FINANCE

# Union leader urges delay for Volvo merger meeting

A SENIOR Swedish trade union leader yesterday called on Volvo to postpone next week's vote by shareholders on the proposed merger of its car and truck operations with France's Renault. Mr Peter Nygards, head of the white-collar union SIF, says more time is needed to assess the deal.

The SIF has more than 5,000 members employed at Volvo. Mr Nygards was the first national trade union leader to publicly voice doubts about the merger, which has run into stiff resistance from the Swedish institutional shareholders who will decide the issue at a special shareholders meeting

called for November 9.
"[Postponement] is the only reasonable way, as there are today too many large uncertainties about how the merger will function in prac-

Philips alters

ownership link

with Grundig

By Ronald van de Krol

tice," Mr Nygards seid. Union support has been extremely important to Volvo because many top labour figures sit on the boards of shareholder institutions.

The SIF leader is a member of the board of the Fourth Fund state pension fund. which is the second-largest Volvo shareholder after Renault, with 7.5 per cent of the voting capital. The Fourth tomorrow how it will vote on the Renault-Volvo merger. Its decision is widely reckoned to be a key indicator of whether the deal will stand or

Mr Nygards is also on the board of the insurance group SPP, which has 4.5 per cent of Volvo's voting capital and is also due to announce its final

Volvo was under strong pressure from shareholders yesterday to provide further clarifica-

### interests in the merged com-Volvo will have a 35 per cent

share. However, Swedish shareholders are concerned by a lack of guarantees that stateowned Renault will be privatised as promised and by provisions attached to a subsequent "golden share" held by the French state. They fear this could be used in future to limit Volvo's shareholding to 20 per cent of Renault-Volvo.

company faced a "Catch 22" on Swedish shareholders have suggested postponing the merger until after privatisa-

tion, saying Volvo's share can-

not be fully evaluated until Renault is a quoted company. However, Volvo has accepted the French case that Renault cannot be properly valued for privatisation until the the merger is in place.

# Hafslund nine-month

PHILIPS, the Dutch electronics group, is to make changes to the structure of ownership at Grundig, the German consumer electronics company in which it has a 31.6 per cent

However, Philips stressed that the move would have no effect on its relations with Grundig, over which it has exercised management control since 1984, nor on the level of its Grundig holding, which will remain at 31.6 per cent. Philips fully consolidates loss making Grundig in its annual

accounts The Dutch company said it planned to spend a sum of less than Fl im (\$525,000) on buying out three German and Swiss banks which own shares in Grundig Verwaltungs GmbH. This company is the managing partner in another company. Grundig E.M.V. & CO KG. which acts as a corporate conpany for Grundig AG.

# profits increase 5%

By Karen Fossii

HAFSLUND Nycomed, the Norwegian group best known for its radiology products, yes-terday reported a 5 per cent increase in nine-month pre-tax profits to NKrl.18bn (\$168.6m) from NKrl.13bn in the same period last year. It was helped by the strength of the US dollar and Japanese yen.

Hafslund said it would reduce costs in the fourth quarter, and channel more resources into research and

Group sales in the first nine months of this year rose by NKr357m to NKr4.17bn as operating profit, before research by NKr47m to NKr1.68bn. R&D costs increased by NKr67m to NKr527m. The group posted financial gains of NKr35m against charges of NKri38m in the same period last year.

development and strengthen

its marketing network.

Hafslund lifted net profit in the first nine months of this year by NKr33m to NKr330m.

### Atlas Copco buys US group

By Christopher Brown-Humes

ATLAS Copco, the Swedish industrial components group, has agreed to buy the European standard compressors business of Indresco, the US group,

The purchase, on undisclosed terms, will strengthen Atlas Copco's leading position in the European compressors

market and broaden its product range and distribution net-

The operations being acquired are based in Meru in France and are marketed under the names, Creyssensac and Worthington.

They have annual sales of \$50m and about 240 employees. The most important markets are France, Spain, Italy and

### Greece to sell casino licences for Dr80bn

THE Greek government hopes to raise at least Dr86bu (\$343m) from the sale of eight new casino licences to interna-tional operators by the end of

> Although the new socialist government has halted most projects included in its predecessor's privatisation proto go ahead as planned, according to the economy min-

> Hyatt international. Sheraton, and Conrad Hilton are among 16 bidders shortlisted to set up and manage casinos in Athens, Thessaloniki and the resort islands of Corfu.

Crete and Mykonos. Under the licensing terms, the Greek state will take a 20 per cent cut of the casinos earnings. Remaining profits will be taxed at the local corporate rate of 35 per cent. The licences will have a 15-year duration.

In addition to producing estimated revenues of at least Dr120bn yearly, the casino project will upgrade Greece's tourist industry by ensuring investment in luxury botel

facilities. Under the terms of the licence, the casino operators would construct or refurbish botels or resorts where the rasinos are to be located.

Hyatt Casino Corporation, the group's gaming subsidiary, would invest \$200m in a luxury hotel and casino on a greenfield site in an Athens suburb. ITT Sheraton is bidding to acquire Ionian Hotels, the state-controlled company which owns the Athens Hilton.

Conrad Hilton of the US. would invest up to \$300m in building a casino complex and new hotel at a state-owned resort at Vouliagmeni near Athens. The company has signed a contract to manage the resort, in association with the Alex Spanos group, a Californid-based property devel-

Greece's three existing casinos, which are operated by the state tourist authority, would shut down to make way for the private operators.

BELFAST

Lower interest rates helped Christiania Bank and DnB return to health a year after they were on their knees, writes Karen Fossli The two banks' planned share issues will have to be

Norway banks see a brighter day

hristiania Bank and Den norske Bank, Norway's two biggest banks, were forced to their knees last year under the burden of large losses. In desperation, the state threw them life-lines in the form of funding to enable capital dequacy requirements to be 21.6 per cent during turmoil

One year later, the banks are on the road to recovery and planning share issues which could net the state large windfall gains. Analysis have warned the

government against dumping its shares in the market at the same time as the banks' issues are launched. At current prices, the state's shareholdings in the two banks

are worth about NKr17bn According to Mr Ole Lund,

DnB's chairman, the bank is approaching the "sunny side of life" but is not yet there. DnB's high volume loan losses and non-performing loans are still lingering at unacceptable

Hopes are to reduce the level of credit losses during the next 1% years by 50 per cent to about NKr1.3bn.

On Tuesday, DnB published record result since being formed from a merger in 1990 between Den norske Creditbank and Bergen Bank. Pre-tax profit of NKr720m for the nine months to September was achieved, against a pre-tax loss of NKr2.45bn last year. CBK is due to report nine-month results on November 4 and could, on the same day, announce the details of its planned share

The sharp improvement in the banks' health is due mainly to the low level of domestic interest rates, a marked rise in the domestic stock market, steady recovery of Norway's economy and emerging results of the past five years' hard slog of consolidation and restruc-

"Nobody last autumn would have believed we would have had the level of interest rates which we see today and if it had been suggested, the forecaster would have been quickly escorted to the nearest

As previously announced, the Department of the Environment for Northern Ireland intends

to privatise Belfast international Airport in 1994 and the enabling legislation, an Order in

Council, will shortly be laid before Parliament for approval. Preliminary expressions of interest are now being sought from prospective purchasers who wish to pre-qualify.

Belfast International Airport is the fifth largest regional UK sirport and the leading

sirport in the Province. In 1992/93 the Airport served over two million passengers,

A Pre-Qualification Memorandum is now available to interested parties. This provides

outline information on the airport. It also sets out the data which the Department of the

Prospective purchasers who pre-qualify will be provided, subject to confidentiality

undertakings, with a detailed information Memorandum to assist them in preparing

The Pre-Qualification Memorandum is available from the lead advisers to the

Eileen Walker, Touche Ross & Co

Priary Court, 65 Crutched Priars

Environment for Northern Ireland initially requires in order to pre-qualify purchasers.

Pre-Qualification applications should be submitted by 1 December 1993.

Department of the Environment for Northern Ireland on the privatisation:

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of Chartered Accountaints in England and Wales to carry on Innestment Business.

generated £23 million in turnover and £2.5 million in profits after tax.

NORTHERN IRELAND

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hospital for examination," Mr Lund said.

Norway's central bank has cut the important overnight lending rate 13 times this year, to 7 per cent from 11 per cent. The three-month domestic money-market rate has fallen by nearly 50 per cent in the past year to 5.6 per cent after hitting a high last December of

within the KRM. Mr lamd concedes that last autumn was a low point for the banks. "We had tremendous losses, turmoil in the currency and stock markets and the collapse of UNI Storebrand [Norway's biggest insurer] and Investa [the Bergen-based

owever, the banks' operating environment has since brightened. Inflation is at 2.3 per cent, its lowest level in three decades. and economic growth is forecast to accelerate to 3.0 per cent next year from 1.3 per cent in 1993.

preferably, have first-quarter results behind it before making a similar move. DnB wants to expand the bank's foreign ownership quota to 33.3 per cent from 12.5

launched.

Domestic and foreign nalysts believe it analysts

co-ordinated carefully so as not

to destroy the market. And there is the matter of what the

state intends to do with its

shareholdings in the banks and

its rights to convert preference

DnB would try to raise up to NKr2bn in one issue but that

CBK would make an initial

issue and seek a listing in an

attempt to improve the bank's

market valuation before

a second tranche is

CBK earlier this year said it

intended to launch a public offering before 1994 but Mr

Lund says DnB will have to first publish 1993 accounts and

Analysts have forecast that

capital to shares.

### Fokus Bank returns to profit

FOKUS Bank, Norway's third biggest commercial bank, yesterday reported that it had bounced back to pre-tax profit of NKr246.8m for the nine-month period of this year from a loss of MKr399.7m in the same period lest year, writes Karen Fossii in

Fokus attributed the sharp improvement to a 50 per cent increase in credit losses, lower costs, and an improvement in

securities and foreign exchange gains. Group net interest income slipped to NKr821m from

NKr868.4m in spite of a 50 per cent reduction in interest costs to NKr1,250n from NKL466n. Operating profit, before credit losses, rose to NKr500m from NKr193m as credit losses were cut by more than half to

NKr301.1m, or 1.33 per cent of gross loans, from NKr626.4m. Fokus said the volume of non-performing loans had declined by 33 per cent since end of last year but attributed the distribution of loan losses to 74 per cent by the corporate sector and 26 per cent by private customers.

"It is with satisfaction we announce that positive developments in our result have continued. Even without income from securities and foreign exchange operations the bank shows a profit after losses," Fokus said.

The bank achieved securities gains of NKr131m against losses of NKY76.5m during last year's nine-month period as foreign currency gains more than doubled to NKr46.8m from NKr20.2m. Fokus returned a net profit of NKr246.8m against a net loss of NKr432.2m last year. Group operating costs were cut to NKr770.2 from NKr1.01bn.

"The bank is now seeing the results of a major turnround operation and we will continue to reduce operating costs," Folous stale.



advantageous for DnB to be the first off the mark because it is stronger and better known internationally than CBK and the added benefit of a listing on the Oslo

DnB's A-shares have increased five-fold to about NKr20 each since the end of 1992 as the Oslo bourse bank sub-index soared by 160 per cent during the same period.

At current share prices the state's DnB stake is worth about NKr3.5bn, excluding preference capital which, if converted to 350m shares at the bank's current share price, would be worth about NKr7on. The state's shareholding in

Den norske Bank thus equi about NKr10.5bn compared to the NKr6.4bn which it injected into the

On the other hand, analysis say, if CBK's share issue is a success the likelihood of DaB achieving good fortune with its issue would be boistered.

The state holds a 69 per cent. stake in DuB which would be increased to above 80 per cant on a fully diluted basis if preference capital was converted to shares.

The state virtually owns CBK, but the 7 per cent held by private investors is traded outside the bourse at about NKr17 a share.

A sale, even at this price. would net the state a handsome return. It would underline how light has pierced the gloom of Norwegian banking in the past five years.



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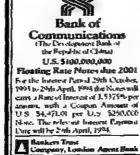


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Interest for the period 29th October, 1995 to 29th April, 1994 is 5,25% p.a. Coupon amounts will be US 5265,42 for the US \$10,000 denomination and US \$0,035.42 for the US \$250,000 denom JS \$250,000 denomination, and will be parable on 20th April, 1934 against surrender of Supon No. 17.

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Agent Bank; ,

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Rate Notes due 2023

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31st January, 1994 has been fixed at 6.075 per cour. per studies.
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telecommunications industry, with particular emphasis on regulation and the methods challenges and obstacles of privateation. Specifiers include, kin Don Cruckshank, Direct General of OFTEL, Mr James H Quello, Chairman of the Federal Communical Commission, Mr Marc Dandelot, Conseiller d'Etat, French Ministry of Posts and nications Company and Mr Bessel Kok, Chief Executive Officer of Belgacom.

PENSIONS - A Time for Change London, 7 & 8 December

issues of concern to pension fund administrators and their advisers and examine investor strangles in a climate of low inflation. Mr William Hague MP, Department of Social Secu will give the opening address and speakers include: Mr Tom Rose Clay & Partners: Mr Brien Matthews. ESN Penalon Management Group: Mr Hugh Stovenson, Mercury Asset Management Group pic; Mr Ron Spill, Legal & General Assurance Society Limited and

THE OUTLOOK FOR NATURAL GAS IN THE 1990s AND BEYOND

demand, and examine the financing of gas projects, Spessers Include: Mr Pilchard C Green Jr. UtiliCorp united Inc; Mr H John Herrichter, BP Exploration Operating Company Limited Mr Cedric H Brown, British Ges pic; Mr Horbert Detharding, Wintershall AG; Mr Djamel Morrad, Sonetrach and Mr Reza Roslami Sani, National Iranian Gas Company (NEGC)

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### INTERNATIONAL COMPANIES AND FINANCE

# Canadian Pacific result shows continuing recovery

CANADIAN Pacific, the transport and resource group, continued its underlying turnround in the third quarter but the results were dragged down by special charges. The improvement is expected to continue, despite a slow Canadian economy.

The fast-expanding PanCana-

dian Petroleum, 87 per cent-owned, and Fording Coal, a western exporter, made sharply higher contribution in the third quarter and nine months. The rail unit did better in the second and third

CP Ships, CP Trucks and CP against C\$5.5bn.

COMPAQ Computer yesterday

launched an array of new per-sonal computer products and

slashed the prices of some its

The large number of new

models reflects increasing seg-

mentation in the personal com-

puter market, with separate

product lines aimed at differ-ent distribution channels and

types of customers, from indi-

vidual purchasers to large cor-

Other PC companies, includ-

ing Apple and IBM, are follow-

ing a similar strategy with dif-

SIEMENS, South Africa's

Reunert and GEC of the UK

are to rationalise their South

African telecommunications

activities with the aim of

strengthening their position in

the local market and improv-

A new company, Siemens

Telecommunications, will be

created to focus on providing

Telephone Manufacturers of

ing joint venture between the ket after international liberal-

South Africa (TMSA), an exist-

ing export prospects.

models by 10 to 23 per cent.

By Lauise Kehoe

in San Francisco

porate buyers.

Hotels improved their perfor-

Third-quarter income from continuing operations was C\$1.7m (US\$1.3m), up from C\$1.6m a year earlier, but after special items the overall loss came out at C\$106.8m, or 33 cents, against a loss of C\$205.6m or 64 cents. Revenues

were C\$1.7bn, from C\$1.6bn.
The first nine months showed income from continuing operations ahead at C\$160.3m, from C\$95.3m, but after special items the loss was C\$73.1m or 23 cents a share. compared with a deficit of C\$224.3m or 70 cents a share. Revenues were C\$4.8bn,

Compaq launches new products

segments of the market. Compaq's new products for

business users include high

performance desktop PCs based on Intel's latest Pentium

microprocessors, with prices

Other new models include

energy-saving features that

can significantly cut electricity

consumption and costs in

offices. New ProLinea models, with built-in PC networking

capabilities start at about

Compaq also stepped up its

presence in the rapidly-grow-

ing consumer PC market with

the introduction of 10 new

ferent "brands" or lines of models to its Presario family. had increased by 350 per cent.

Telecoms venture to be reshaped

three groups, will be restruc-

tured and concentrate on mak-

ing terminals, pay-phones and

key systems. Siemens Telecommunica-

tions will be 51 per cent owned

by Siemens of German, 27.5 per

cent by GEC. TMSA will be 41

per cent owned by Reunert, 33 per cent by GEC and 26 per

cent by Siemens, compared to

equal one-third stakes before

The companies are respond-

ing to the prospect of greater

competition in the local mar-

starting at \$2,799.

heavy write-offs for CP Rail's restructuring.
The group recently sold control of Canadian Pacific Forest Products, one of North America's biggest newsprint produc-

products targeted at various These include models with ste

ers, to reduce its debt and to make its earnings less volatile. man, said steps were being taken to reduce losses at the 48 per cent-owned Unitel telecommunications affiliate and a restructuring charge was possi-

reo sound and video capabili-ties and pre-installed software.

new PCs for home and busi-

ness users, Compaq continues

to play a key strategic role in

the emergence of these two distinct, but equally important PC markets," said Mr John Rose,

vice-president and general

manager, desktop PC division.
The company, which recently reported a 64 per cent

rise in 1993 third-quarter reve-

nues to \$1.75bn and net income

more than doubled to \$107m,

also said yesterday that its

third-quarter sales in Japan

tions sector and technological

developments which have

forced rationalisation amone

The lifting of economic sanc-

tions against South Africa will

only enhance competition fur-

ther, with companies previ-

ously prohibited from doing

business there, such as Erics-son from Sweden, now free

Siemens Telecommunica-

tions will have annual turn-

over of about R800m (\$190m)

while TMSA's sales will be

equipment suppliers.

from restrictions.

"With the launch of these

Prices start at about \$1,650.

Products unit, CP's share of Laidlaw's special charges partly offset by gains on asse

sales. The 1992 result included

### **US** insurer nets \$417m from TIG The special items included losses on the sale of the Forest stake sale

By Richard Waters

TRANSAMERICA, the San Francisco-based insurer, is close to leaving the property/ casualty business with the sale of its remaining 27 per cent stake in TIG Holdings.

Based on yesterday's share price, the sale of 17.3m TIGshares would be worth \$417m. The imporer floated TIG as a separate company on the New York Stock Exchange earlier this year as part of a move to concentrate on life insurance and financial survices.

Ahead of the flotation, it was expected to retain a sub-stantial stake in TIG for some time before being able to com-plete the disposal at a favoura-ble price.

However, a turn in the property/casualty underwriting cycle has led to higher premiums in some parts of the market, bolstering profits in recent months and adding to investors' interest in insurance companies. TIG, which was floated at

\$22% a share, was trading at \$24% yesterday after the news. "We had indicated at the time [of the flotation] that we had intended to reduce our holding of the common stock as promptly as possible,"

The insurer has exercised an option under an agreement made at the time of the flotation to sell its remaining

A registration statement for the sale is expected to be filed with the Securities and Exchange Commission within the next two weeks, TIG said. Transamerica's share price rose % on the amouncement

to \$57%. • Edper Enterprises, a key

company controlled by the Peter and Edward Bronfman interests of Toronto, plans a convertible preferred share issue to be distributed by way of rights, writes Robert Gibbens in Montreal. Edper Enterprises controls

Brascan, a financial services holding company, Hees Inter-national Bankcorp, a holding company, and Carena Development, a property group.

# Kaiser Aluminum incurs \$21m loss in third quarter

KAISER Aluminum of the US posted a net loss of \$21m or 42 cents per share in the third quarter. The company is the latest in a series of US alumin-ium manufacturers that have worldwide oversupply of the

Kaiser said that historically low aluminium prices and weakness in prices for rolled aluminium used to make aircraft bodies and beverage cans would force a restructuring at its Trentwood plant in Spokane, Washington.

This would result in a fourth-quarter pre-tax charge against earnings of between \$30m and \$40m.

Kaiser's third-quarter loss compares with income of \$3.9m, or 6 cents per share, in the same period a year ago, Third-quarter sales fell to \$428.4m from \$458.5m a year

Kaiser's customer shipments of primary and fabricated aluminium fell to 148,200 metric from 164,700 tons in the third quarter of 1992. Alumina shipments to customers advanced to 576,900 in the quarter, from

469.300 last year. For the first nine months of the year Kaiser, which is 68 per cent owned by the natural resources company Maxxam reported a loss or \$57m, or \$1.05 per share, before extraor

dinary charges.
This compares with profits of \$24.3m, or 42 cents per share for the first nine months of 1992. Sales for the first nine months of the year were \$1.3bn, down from \$1.4bn last

 Maxiam reported a net loss of \$33.3m or \$3.42 for the third quarter, compared with income of 57m or 7 cents in the third quarter of 1992. Sales for the quarter were \$506.5m, down from \$531.7m a year ago. For the first nine months

Maxxam reported a loss of \$68.5m. or \$7.24 per share. excluding special charges, com-pared with income of \$3m or 32

### Alcan Aluminium plans further round of cuts

By Robert (Ubbern)

ALCAN Aluminium, facing the deepest and longest post-war recession in ingot and fabricated products prices, will become smaller and leaner. warns Mr Jacques Bougie, president and now chief execu-

Alcan's downstream businesses must "demonstrate clear potential" if they are to get further investment, Mr Bougie said in the company's internal magazine.

Mr Bougie suggested that a new round of cuts will focus on Alcan affiliates making end products. Those that do not measure up or lack a sound profitable future will be sold. The group will concentrate

on primary smelting and sheet and fabricated products and is seeking to lower its alumina costs further. It has already

introduced cuts at its Irish alumina plant, near Shannon. Alumina is derived from processing bauxite and becomes a white powder and the primary material in aluminium smelt

Alcan has 49,000 employees worldwide, down from nearly 70,000 nearly a decade ago. It operates more than 20 units making a wide variety of aluminium products, used meinly in construction and transporta-tion and including cable. Some periphery units have already been sold.

The company has cut about US\$500m from its cost base. mainly in North America. in its struggle to become a low cost producer, and effective yesterday realigned its main business groups. It recently received a large US consultents' study of its worldwide organisation.



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SKF Interim Statement

SKF Group sales for the period January 1 to ember 30, 1993, amounted to SEK 21,521 m (£1,875m) compared with SEK 19,990m (£1,930m) for the first nine months of 1992. However, adjus for CTT Tools - which was included in the 1992 sales figure - and the weakening of the Swedish krona, sules Jeclineal approximately 7 per cent compared with the corresponding period in 1992. The result includes

SEK ?10m (£9.6m) for future personnel reductions. An extraonlinary income of SFK 173m (£15m) from the sale of the Sandrik shares was recorded. The Group reported a loss, after financial income and expense, of SEK -709m, (E-62m) compared

th a loss of SEK -361 m (£-35m) i

nine months of 1992. Demand in Europe has levelled out and increases

were noted in certain markets The positive trend which characterized the jirst half

of the year in the U.S. communed. continued to develop positively.

Demand in markets outside Europe and the U.S.

Forecast:

The forecast from the half-year report 1943, that the second half of 1993 will show a better result than the first half, remains unclanged. For a cupy of the 1993 Nine Months Statement please

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### INTERNATIONAL COMPANIES AND FINANCE

# Upjohn survival hopes rest on new medicines

The expiry of four drug patents has troubled the US drugs group and brought R&D into sharp focus. Paul Abrahams reports

T PJOHN, America's month that earnings next year the best-performing US pharmaceuticals stocks this year. Its shares have risen 11 per cent over the past 12 months, compared with an 11 per cent decline by other health and household stocks.

Upjohn's performance is based on the belief that the Kalamazoo-based group has become a takeover candidate. Like other pharmaceuticals companies, it is suffering from an increasingly hostile health-care environment that has reduced growth of the US phar-maceuticals market to only 3 per cent during the first half of

But Upjohn is in a worse plight than most its predicament has been exacerbated by a series of patent expiries in the US, its most important market

Three of the group's leading drugs have lost their American patents over the past 12 months. Those protecting Ansaid, an anti-arthritic, expired in February, Earlier this month, Xanax, an antianxiety drug and Halcion, a sleeping pill, lost their patent protection. Next May, patents for a fourth drug, a dishetes treatment called Micronass,

Mr Ley Smith, chief operating officer, admitted last

12th largest drugs would be lower than in 1993. A group, has been one of combination of the patent expiries, new legislation affecting the tax charge for its Puerto Rico manufacturing facilities. and a faster-than-expected

increase in the power of bulk purchasers of health will affect the group's bottom line. The expiries are highly damaging - Xanax is the group's most-important drug and

accounted for 30 per cent of its American healthcare sales in the first nine months this year. Brokers Wertheim Schroder estimate the medicine generated 35 per cent of Upjohn's operating income last year. Altogether, generic competi-tion for the four drugs could affect between a quarter and a third of Upjohn's 1992 earnings per share by 1994, estimate the

ust when the group needed firm leadership, its misfortunes were compounded when chairman Theo-dore Cooper died of cancer in April. Since he started leading Upjohn in 1987, he had helped increase sales by nearly 50 per

Since Mr Cooper's death the composition of the board has been unsettled. In August vicechairman Mr Mark Novitch announced his decision to step down. The following month, Mr William Parfet, another vice-chairman and member of Administration for its first Smith is trying to defend the Upjohn family, stepped down as an executive director. His departure increased the possibility the family might be willing to sell its substantial stake

Mr Smith, also acting chairman, insists the company will remain independent and has a strategy to deal with the

When you register a natent you know when it's going to expire. We've had plenty of time to plan for this," he says. However, what Mr Smith does not have immediately to hand are new products capable of compensating for the lost sales, which is partly a research and development fail-

"We didn't make enough of the products we had and we missed some good opportunities to license in some subsequently successful medicines, admits Mr Smith.

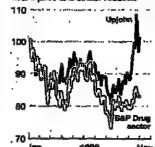
The top R&D management has been changed and the new team is racing to bring products through the development pipeline. Most promising is Freedox, a treatment for stroke and head injuries. The medicine is in a class of steroids called Lazaroids, discovered by Upjohn and named after the Biblical character Lazarus who was raised from the dead. Freedox should be registered

with the US Food and Drug

indication before the end of the year, says Mr Smith, and could be launched by the middle of next year. Some analysts believe it could generate \$500m annual sales.

Other compounds in development include fluvoxamine, a

State price and sector rebased



treatment for obsessive compulsive disorder, which is being co-marketed with Solvay of Belgium. Just licensed is a drug for cancer from Japan that could become the largest or second-largest drug on the cencer market.

The group is also working on a blood substitute and treatments for HIV. Nevertheless, these new

drugs will take time to build up sales. In the meantime, Mr

Upjohn's off-patent products. We expect to lose between 40 per cent and 60 per cent of these drug's sales. The question is how fast they erode," he

The company has an agreement with Geneva Pharmaceuticals, a subsidiary of Ciba, which will market generic versions of Xanax, Halcion. Micronase and Ansaid, Upjohn will manufacture the product for Geneva, which avoids the group's production facilities

Like some other pharmaceuticals groups. Upjohn is also trying to expand its over-thecounter (OTC) non-prescription drug business. This will allow it to extend the product life of its medicines, such as the hairloss treatment Rogaine, by selling them direct to patients without a prescription. The group's OTC business has increased 300 per cent since 1986 but with sales of only \$200m a year the operations do not have critical mass, admits

The problem is whether to form an alliance and, if you do, how to keep control, or whether to make an acquisition. We have no presence in Europe, and we need to reinforce the US operations, particularly in the dermatological area," he says.

Mr Smith.

To minimise the fall in earn-

ings next year Mr Smith is slashing costs. The patent expiries forced Upjohn to cut costs earlier than most other US pharmaceuticals groups, and last week it announced its third restructuring package at

a cost of \$255m. By the end of 1994 the group will employ 17,500 people, down from 21,100 at the beginning of 1989.

pjohn is also cutting 14 production pharma-ceuticals, chemicals and agricultural products manufacturing sites, although Mr Smith refuses to give details. The entire cost-cutting programme should generate annual savings of \$150m by

1995, he says. Mr Smith insists he will not cut R&D spending, which is running at 18 per cent of turn-over - a high figure by industry standards. R&D is the life-

blood of the company, he says. "We could match 1993 earn ings next year by cutting R&D spending, but we just have too many good ideas that are get ting too close to fruition," he

explains. Upjohn's management is gambling on the success of its development pipeline, and in particular the Lazaroids. The question is whether they will be as effective at resuscitating Upjohn as stroke vic-

### APPOINTMENTS

KLOOF **GOLD MINING COMPANY LIMITED** (Registration No. 64/04462/06) (Incorporated in the Republic of South Africa)

ANNOUNCEMENT

This follows an announcement, dated 20 October, concerning

the interruption of underground operations in the area served

by the No. 3 Sub-Vertical Shaft of the Kloof Division of the

Rectification of the damage, caused by the fall of pipework in

the shaft on 13 October, is proceeding in parallel with

assessment thereof. It is therefore not possible to predict

Stoping and development teams from the affected area have

been deployed elsewhere within the division. The milling rate

has been maintained at the planned level of 180 000 tons per

month since 13 October. It is expected that the company will

be able to report in January 1994 that this rate has been

achieved throughout the quarter, which commenced in

October 1993, with gold production matching that of the

Surface accumulations of ore, resulting from previous

underground production rates in excess of the milling

capacity, will be sufficient to continue supplementing

production from eisewhere underground well beyond the end

The impact on the financial performance of the company will

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when this process will be completed.

previous two quarters.

thus be minimised.

1 November 1993

of the December 1993 quarter.

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eading international investment house requires experienced capital markets specialist to develop and implement swaps marketing strategies for European and Asian clients. Candidates, aged 25-35 and educated to degree standard, must have international capital markets experience, with a minimum six years' comprehensive experience of meneoing client relationships with financial institutions Product knowledge and experience must include a range of debt products and markets, in particular interest rate awaps and assets

### **NEWS IN BRIEF**

### US defence cuts mean 1,150 jobs go at Raytheon

RAYTHEON, the US electronics group, is to cut 1,150 jobs in Massachusetts, as part of a plan to reduce costs to cope with shrinking US military spending, reports AP-DJ. The group said the job losses would follow a voluntary retirement programme that has already trimmed the pay-

roll by 800 jobs, 600 of them in The combined cuts will bring the company's Massachusetts work force down to 21,050, compared with a peak of 31,100

ment signhed the defence bud-get in the post-Cold War era. Among the sites suffering cuts will be Raytheon's Andover plant, which makes the Pairiot missile that came to prominence in the Gulf War. It will lose nearly 400

Despite the falling defence budget, Raytheon has remained profitable, not only by cutting costs, but also by focusing on other businesses such as energy and environmental services,

### Bahamian hotel sold to German group

THE Casino Management Group of Berlin has bought an 81 per cent stake in one of the largest hotels in the Behamas

Carnival Corporation will maintain a minority interest in the 867-room hotel and casino. which will be refurbished by the German company to become an up-market destination for European

Carnival. which operates Carnival Cruise Lines, began searching for a buyer for the hotel last year, after it recorded a \$33m loss in 1991. The company will use \$25m of the sale price to liquidate debts on the three year-old hotel.

### Petro-Canada continues turnround

PETRO-Canada, now partially privatised, continued its turnround in the third quarter helped by strong gas sales and

Net profit was C\$55m (US\$41.6m), or 22 cents a share, against a loss of \$56m, or 26 cents, including special items. Revenues were \$1.17bn, against

Nine months' profit was \$126m, or 51 cents, compared with a loss of \$18m, or 8 cents a share. Revenues were \$3.44bn,

### Blockbuster plans 12.6m share sale

BLOCKBUSTER Entertainment of the US plans an underwritten sale of 12.6m shares, Reuter reports. Blockbuster said it intended

to use the proceeds to reduce

It added that the shares

### Placer Dome sharply lower in third quarter

By Robert Gibbens in Montreal

LOWER gold output and lower average prices for gold and copper depressed profits of Placer Dome, the Canadian international mining group, in the third quarter and first nine months of 1993.

Third-quarter profit was US\$13m, or 6 cents a share. down sharply from \$33m, or 14 cents, a year earlier, on revenues of \$229m, against \$284m, including investment income of \$10m, against \$20m.

For the first nine months of the year, profit was \$45m, or 19 cents a share, against \$69m, or against \$834m. Both periods include special items.

Gold output was 450,000 oz in the third quarter, down from 508,000 oz and in the nine months 1,354,000 oz, a decline 8 per cent from 1,473,000 oz 8 year earlier.

Cash production cost in the nine months was \$189 per oz, compared with \$192 in the same period last year, while the average realised price of gold in the nine months was \$376 oz, slightly above the average market

Gold output declined due to lower grades and a reduced stake in the big Porgera mine in New Guinea and the sale of of Placer's 13 producing mines

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### INTERNATIONAL COMPANIES AND FINANCE

# Hectic start to trading in | Wharf plugs in to a guaranteed success **Singapore Telecom shares**

SINGAPORE Telecom (ST), the island republic's telecommunications and posts utility, made its debut on the Singapore stock market yesterday, quickly dwarfing other compa-nies and accounting for about half the total valuation of the

has floated about 11 per cent of ST, setting a price of S\$1.90 or yesterday ST shares rose to a high of S\$5, giving the group a market valuation of more than S\$70bn (US\$44bn), and a p/e ratio in the mid 60s.

The combined capitalisation of companies on the Singapore exchange, excluding ST, is

bothering to look at fundamentals any more," said one local "There's more than a bit of craziness in the market right now, with too much money chasing too few quality

At the close of trading, ST's shares were S\$4.14, still well above market expectations. The Singapore government had issued shares in three tranches. Group A and B

shares - about 50 per cent of

the shares on offer and priced

at S\$1.90 and S\$2 respectively -

were reserved for Singaporeans Group C shares were available to both Singaporean and foreign buyers on a tender basis. The strike price for

the C shares, announced last

The feeling in Singapore is that local, rather than overseas, investors are responsible for the aggressive ST perfor-

correction," said a foreign fund manager. "No-one doubts ST is a good company, but at present price levels it looks very, very expensive.

absence of foreign buyers meant the first day's trading in ST was not as exciting as expected.

exchange had doubled its trading hours in anticipation of hectic trading. However, late yesterday it announced trading would revert to the normal six

# Mitsubishi Materials pre-tax profit slides 66% in first half

MITSUBISHI Materials, the Japanese copper, cement and industrial materials supplier, yesterday blamed the appreciation of the yen and weak demand from manufacturers for a 66.6 per cent fall, to Y2.02bn (\$18.6m), in first-half pre-tax profit.

Sales for the period from April until September fell 9.1 per cent to Y342.8bn. The company said demand has been particularly sluggish from the construction, car, and electronics industries.

It said the recent fall in Japanese interest rates should stimulate the economy, but the

was likely to hinder growth. For the full year, pre-tax profit is forecast at Y4bn. compared with Y9.8bn last year, on

sales of Y700bn, down from

· Sumitomo Metal Mining. a copper and gold producer. reported an 89.1 per cent plunge to Y692m in pre-tax profit, on a 15.8 per cent slide

in sales to Y192.3bn. The company had an operating loss of Y4.9bn, compared with a profit of Y2bn last year. It said sales of securities holdings enabled it to report a pretax profit.

Many Japanese companies are using sales of securities to bolster profits this year, rais-

of some long-term cross-shareholdings.

Company officials indicated that an increase in capital spending in the past two years bad pushed up depreciation

charges this year. This added to the difficulties caused by the yen's strength and the continuing decline in demand from industrial

For the full year, Sumitomo has forecast a pre-tax profit of Y1.5bn, a sharp fall from last year's Y8.5bn, on sales of Y370bn, down from Y444bn. Capital spending this year is expected to be Y12.2bn, compared with Y25.8bn last

# Challenge Bank back in black

CHALLENGE Bank, the Perth-based regional bank which acquired the retail banking assets and liabilities for NatWest Australia in South Australia and Western Australia in June, yesterday reported a A\$21.4m (US\$14.3m) after-tax profit in the year to end-

The figure compares with a oss of A843.2m in the previous

year. Challenge said nonperforming loans fell from A\$68m to A\$53m during the year. Lending increased to A\$1.45bn, including A\$1.04bn for owner-occupier and investment housing.

cent to A\$4.2bn. The banking group said it believed there were "consistent signs that Australia is emerging from recession". It

STRONG BONDS

"particularly promising". In September, the company announced a A\$67.5m convertible note issue, by way of rights to existing shareholders, and a non-underwritten place-

ment of up to A\$15m. Yesterday, it said that the full placement was likely to be made, and that the capital raised should increase the bank's risk-weighted capital to about 12 per ratio

# Hong Kong's first cable TV franchise has been worth the wait, writes Simon Davies Hong Kong's investment community. However, for Wharf (Holdings), which has just accomplished its six-year

struggle to deliver cable televi-"We are still waiting for a sion to the colony, the rewards of perseverance could be sub-A Wharf-led consortium was

irst awarded the cable TV franchise in 1989. It collapsed a Market analysts said the year later, amid accusations that the government had breached an exclusivity agree-ment by allowing Hutchison Whampoa, flagship of the diversified Cheung Kong Group, to launch satellite The Singapore stock

> Kong. Further delays were caused by China's insistence on approving all franchises straddling 1997. But eight years after the government first examined the feasibility of able television in Hong Kong, the system has finally gone ahead, and the outlook is far more positive for Wharf than

broadcaster Star TV in Hong

According to Credit Lyonnais Securities, the cost-per-household of installing a cable sys-tem there will be US\$50, compared with around US\$300 in the US. This is because of the vertical nature of Hong Kong's urban core.

cable television in the world.

The colony has per-capita GDP higher than the UK, and 99 per cent of households own a television. Despite this, the Chinese population - accounting for a vast majority of the colony's 5.9m inhabitants - is served by only two Cantoneselanguage television channels. Experience elsewhere in the western world suggests this represents a potential gold

company introducing 11 channels to a wealthy population starved of choice. Mr Stephen Ng, managing director of Wharf, predicts that by the year 2000, Wharf Cable will have turnover of HK\$4bn (US\$517.5m) and an operating profit of HK\$1.6bn.

mine for a cable television

Investment analysts are more cautious, but the consensus is that the business should ment of between 20 and 25 per cent before interest and depreciation, during the 12 years of its franchise. Mr Ng said the market was

better prepared for the service than in 1989, while recent technological advances have enabled Wharf to improve the system, while maintaining the initial costs budgeted in 1989. It is also guaranteed exclu-sivity until June 1996, provid-ing sufficient time to pick up

critical mass to prevent anything other than niche competition: and it has unrestricted access to government-owned housing estates, accounting for 960,000 households.

ardine Fleming Securities estimates the system will have close to 600,000 subscribers by the end of 1996, and will break even during that year. However, this will depend on the quality of pro-gramming, an area in which Wharf has no expertise. If the quality is not there, even a HK\$198-per-month subscription fee will seem excessive.

be offered on the new system is return on the HK\$5bn investalready a sensitive issue. Wharf is offering an initial package of eight, but it was also to carry three of Star TV's existing channels, and a forther four "premium" channels

to be added by the satellite broadcaster. The two groups failed to resolve an argument over the details of this preliminary agreement before Sunday's launch. An accord is extremely important, since it prevents significant competition between the two groups.

Whatever the impact on tele-vision viewers, however, the network still offers vast potential for Wharf. The company is keen to emphasise the investment as a television project, but there has always been a hidden agenda: the group's ambitions to set up a telecom-

munications network. Wharf is bidding for a licence to compete with Hongkong Telecommunications (HKT) when its monopoly on domestic telephony runs out in 1995. In 2006, HKT's international monopoly also disappears, and one of the world's

most lucrative telephone franchises will be up for grahs.
Wharf suggests the existence
of its cable TV network would
shave around HKSbm off the costs of a telephone network; it would also provide entry into most Hong Kong homes, creating potential for home banking and other interactive services. Wharf is considered certain to

receive a licence. r Edmund Brandt, investment analyst at Jardine Fleming, investment analyst said: "Wharf Cable as a stand alone project is a viable investment and it should contribute up to 15 per cent of Wharf's total cash flow by the year 2000. But the potential syner-gies with a telecommunica-tions network make it that

much more exciting."
Despite writing off HK\$187m against its 1989 investment in cable television. Wharf's ambitions have already proven lucrative. It purchased the consortium's headquarters and will realise a substantial profit from it. Second time around, however, the returns could be far more impressive.

### Hong Kong is arguably one provide an average annual of the most attractive sites for Foster's sells meat

By Nikki Talt

THE STREAM of non-core asset disposals by Foster's Brewing Group, the Australian brewing company which owns Courage in the UK, continued yesterday when the company announced the sale of a 45 per cent interest in Australia Meat Holdings, a meat processing business, for about A\$100m (US\$66.6m),

The stake is being bought by ConAgra, the large US food group, and Australian interests associated with the D.R. Johnson group.

ConAgra already owns a 50 per cent stake in Australia Meat Holdings, which it acquired when Foster's sold a package of agri-business assets also including brewing materials and wool - for around A\$300m

That sale, two years ago, left Fosters with a 45 per cent interest in Australia Meat, and D. R. Johnson, a New South Wales abattoir company, hold-

interest to US group

Foster's, which now has a stated policy of concentrating on its main brewing business. said it expected to book a profit of around A\$47m on the sale of the remaining stake in

The brewing company also said yesterday AMH had bought the group's Portland abattoir, which AMH had been operating since 1989 and leas-ing since 1991, in a separate

The latest deal, which is subject to various regulatory pro-cedures including a green light from the Foreign Investment Review Board, means Foster's has now garnered about A\$536m from non-core asset disposals since its June year-

This follows asset sales of around A\$650m in the previous financial year. Funds raised from this process are being used to pay

### Ankor share issue to raise HK\$215.8m

The number of channels to

ANKOR Group, the Hong Kong vehicle distribution and service company and exclusive local distributor for Saab cars, said it would raise HK\$215.8m (US\$27.9m) in an issue of new shares, AP-DJ reports from

Hong Kong.
A total of 195.5m shares at HK\$1,38 each are being offered, placing 25 per cent of the company in the hands of the public. The issue values the company at HK\$1.08bn, with an adjusted net tangible value of 45 cents a share.

Proceeds will be used to finance the purchase of a vehicle service and storage centro. Aokam Perdana, Majaysian timber group, reported a 76

per cent jump in pre-tax profit to M\$54.4m (US\$21.8m) for the year to June 30. Aokam's timber processing facilities lifted turnover, AP-DJ reports from Kusia Lumpur.

Revenues rose 88per cent to M\$136m from M\$72.4m, and net earnings 86 per cent to

### Samsung ambitions jeopardised by state

By John Burton

DECISIONS taken last week by the South Korean government are likely to jeopardise plans by Samsung, South Korea's second-largest business group, to enter the passenger car industry.

Samsung's ambitions to become a car manufacturer aroused controversy after it appeared to be preparing a hostile takeover bid for Kia Motors, the country's second-biggest company.

Samsung has long sought to add vehicle production to its operations, which include electronics, shipbuilding and con-

It recently increased its shareholding in Kia to 9.6 per cent, making it Kia's secondbiggest shareholder after Ford Motor of the US.

However, Samsung agreed to reduce its shareholding under pressure from Kia management and the government.

which wants to curb the expansion of congiomerates such as aring

The government last week introduced shareholding rules making it impossible for Samsung to attempt a takeover bid. It ordered that institutions investors associated with congiomerates must reduce their voting stake in other compa-nies from the current 10 per cent ceiling to 5 per cent by the

end of June. Samsung's stake in Kia was mainly held through Samsung Life insurance.

The government action represented a reversal of its previous plans to lift all shareholding restrictions next year, a measure seen as paving the way for mergers and acquisitions in Korea.

Samsung's interest in taking over Kia was belived to be in its car-production facilities. A takeover would have averted the need for heavy capital spending on factories of its up to \$2bn.

### FT GUIDE TO WORLD CURRENCIES

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Temple Court Mortgages (No. 1) PLC

£175,000,000

Mortgage Backed Floating Rate Notes 2029 The rate of interest for the period 29th October, 1993 to 31st January, 1994, has been fixed at 6 per cent, per annum, Coupon No. 16 will therefore be payable on 31st January, 1994 at £154.52 per coupon.

S.G. Warburg & Co. Ltd. Agent Bank

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BENCHMARK GOVERNMENT BONDS

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by stay

By Patrick Harverson in New York and Tracy Corrigan

> THE US bond market eased at both ends of the maturity spectrum yesterday morning after dealers and investors sold Treasuries following a stronger-than-expected October purchasing managers' report.

> By midday, the benchmark 30-year government bond was down 1 at 103 a, yielding 5.987 per cent. At the short end of the market, the two-year note was down % at 99%, to yield

### GOVERNMENT BONDS

After a subdued opening, prices turned decisively lower when the National Association of Purchasing Management reported that its index of manufacturing activity rose from 49.7 in September to 53.8 in October. Analysts had expected the NAPM index to rise to 50.9 per cent.

investors and dealers reacted. badly because they fear the economy may be finally pick-ing up after languishing for most of this year. They were particularly concerned about strength in manufacturing pro-

ISSUANCE in the international

bond market was minimal yes-

terday as many financial cen-

tres in continental Europe

were closed for All Saints' Day.

However, some interesting

Eurobond offerings are expec-ted this week. The Spanish region of Andalucia is expected

to raise FFr1.3bn through an offering of 10-year Eurobonds.

Paribas, Banco Central His-

pano and Commerzbank are

The bonds are likely to be

priced to yield 20 to 25 basis

points over underlying French

government bonds. Andamcia

last tapped the Eurobond mar-ket in February when it raised

arranging the deal.

INTERNATIONAL

By Antonia Sharpe

BONDS

						Year	_	
<u> </u>	HOU ?	94, 29	002 28	0d 27	02 25	202	Might "	Law
Carl Book and	102.38	102.67	102.86	102-98	103.36	93.76	103.60	913
Pitted Interest	124.25	124.35	124.35	124.83	124 80	107.91	125.20	156.6
Basis ton- com				d interest 1 Implication; /93) . low :	127,40 gar 127,40 gar	1/36). Itus 19	49.18 (8/1	
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Banks 100; Gove for 1983, Gov Fixed Interest Hi Indices* GET Edged Gen 5-Day average	Propiers Se environt Se gh since co	curities 15/ examine his empletions	10/26; Fixe th stage or 125-20 (1/9	(1905) (1904) (1905) (1904) (1905) (1	127,40 G/V/ 90,50 G/V/ ETTVIT	Y	s	75)

The only bright spot in the figures, however, was the lack of growth in the NAPM's index of prices. Analysts said that manufacturing output was growing because of productiv-ity improvements, which bode well for future inflation.

The market was also buf-feted by speculation about the contents of the next quarterly refunding round, which will be announced tomorrow.

Although the Treasury has said that 30-year bonds will not be part of the refunding, dealers were speculating that the government would sell bonds later this month, along with new three-year and 10-year issues that would be significantly larger than expected. .

MOST European markets were closed for a holiday, but those that were open took their

Depta, the German mortgage

bank, is expected to launch a

French franc Eurobond issue

next week. The 10-year offer-

ing, to be jointly led by BNP

and SBC, is expected to raise

Among yesterday's issues,

between FFr2bn and FFr3bn

China Travel, a mainland Chi-

ness freight and holiday com-pany which is listed in Hong

Kong, launched a 3125m offer-

ing of five-year convertible

between 4.25 per cent and 4.75 per cent and the indicated con-

version premium is between 19

per cent and 23 per cent. The deal is expected to be priced

Banco Bradesco, Brazil's

largest private-sector bank,

raised \$50m through an offer-

ing of three-year Eurobonds.

The bonds were priced to yield

later this week.

The indicated coupon is

bonds, via Merrill Lynch.

of five-year Eurobonds.

0d 27	0st 25	Year Year	Mgk -	Low "	
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citation:	127,40 6/1	/35). Ibu 46	1.18 (B/1/s	(E)	CANADA .
	10.53 (J <i>r</i> i/75				DENNAPAC
D . AL	CTIVIT Og 27	47 Oct 26		ld 25	FRANCE B
	110.5	102.8		108.4	GERMANI!
	107,2	100.9		110.8	ITALY §
					MPAN 1
	ERMA	N bon	i pric	es fell	NETHERLAND

around % point in low volume.

Although Hesse, the state in which Frankfurt is located.

was open yesterday, most other German states were

bit of profit-taking of late, but

THE UK gilts market fell

about % point as it continued

to take its one from continen-

tal Europe. Dealers were dis-heartened by chancellor of the

exchequer Mr Kenneth

Clarke's comments, in a week-

end interview, that he sees lit-

tle immediate pressure to

He said he agreed with Bank of

per cent US Treesury due 1996.

When the bonds were freed to

trade, they were quoted at par

hid, according to lead manager

• STANDARD & Poor's, the

US rating agency, has raised

its credit ratings on GPA Group, the troubled Irish air-

craft leasing company which has been rescued by GE Elec-tric of the US. About \$2bn

worth of debt is affected.

US DOLLARS

Hingdom of Decemental Banco Bradescor Chine Trevelfitto

Nalomon Brothers.

"The market has run into a

closed for All Saints' Day.

overall it is extremely well sup-ported," said Mr Nigel Richard-England governor Mr Eddie George's view that UK interest son, an economist at Yamalahi International. "The currency was weak today, which may have caused a bit of a sell off." rates should not fall below their current 6 per cent level, if

SPAIN S

there is a risk of increasing underlying inflation. Traders had been discounting further rate cuts around the time of this month's budget, in order to compensate for any tax increases. "I wouldn't say the market has written off an interest rate cut, but there is an underlying mood of cau-

NEW INTERNATIONAL BOND ISSUES

100.10R Peb.1996 0.30R

removed from S&P's credit-

watch, where they were placed

in November 1992. By contrast,

GPA's ratings remain on

Moody's watch list where they

S&P said that the upgrade

was based on GPA's improved

liquidity and deferral of cash

commitments arising from the

were placed in May this year.

JAPANESE government bond prices rose more than % point, with heavy volume in the futures market due to continued speculation on interes rate cuts. With 3% per cent 10year yields in sight, the mar-ket's pursuit of this target is being encouraged by continued

nession § Mariet rolusey. Yields: Local membet withholding tax at 12.5 per cant payable by ors in decimal. Most European markets closed for

economic weakness. Futures volume may have

been partly boosted by the opening of the new securities subsidiaries of two trust banks, Sumitomo and Mitsubishi, Offerings from Andalucia, Depfa in the pipeline

ing" which indicated that its

ratings could be raised if the

company was able to achieve

the aircraft sales needed to

meet remaining debt maturi-ties and lowered if it failed.

S&P raised GPA's unsecured

senior debt ratings to triple C

from triple C minus, while the

ratings on equipment trust cer-

# Final terms and non-callable unless stated. The yield spread jover relevant government bond) at leanth is supplied by the lead manager. \$Convertible. ‡Floating rate note, &Semi-ennual coupon. R: thed re-offer price; fees are shown at the re-offer level. a) Long first coupon, b) initial annual coupon of 3.36% until 18/2/1997, then pays 6 month Libor minus (1.125%. Short first coupon, c) To be priced later this week.

Only 10 per cent consider sterling's exit from the ERM unfavourable, compared with 25 per cent in last year's survey. However, 69 per cent would support rejoining in a different structure, either using "wide" bands (45 per cent) or as a move to a single

An overwhelming 96 per cent oppose controls to curb

# European performance

By Tracy Corrigan

tables

GOVERNMENT bood markets continued to post positive returns in October, as European bond markets benefited from the Bundesbank's cut in key interest rates.

According to J.P. Morgan's government bond index, Spain was the strongest performer in local currency terms, posting returns of 3.3 per cent over October. Spanish 10-year bond yields reached a historic low of 8.43 per cent, following a cut of 75 basis points in the Bank of Spain's repo rate over the course of the month.

German bunds offered gains of a relatively modest 1.58 per cent, while the US Treasury market came bottom of the league table with returns of 0.32 per cent. For the year to date, Spain and Italy are each

offering around 28 per cent.
For unhedged US dollar-besed investors, the apprecia-tion of the dollar against most currencies, with the exception of the Australian and Canadian dollars, held down reinens. The Australian bond market posted the strongest returns for an unhedged US dollar based investor, with 5.39 per cent in October.

The Australian market performed even better for sterling-based investors, according to Kemper Invest-ment Management's govern-ment boud market index, which shows a 6.05 per cent return in sterling for October. SIXTY per cent of UK company treasurers believe ster-ling's suspension from the European exchange rate mechanism is favourable for their companies, according to a surrey of 70 treasurers by Record Treasury Management, which advises on currency risk.

currency (25 per cent).

# Treasuries ease on purchasing managers' data | Spain heads | Péchiney loan oversubscribed

By Antonia Sharpe

A LARGE syndicated loan for Péchiney, the state-controlled French aluminium group which is earmarked for privatisation, has been oversubscribed, reflecting the dearth of quality corporate borrowers looking to raise funds in this market.

The lack of borrower demand for syndicated loans this year has resulted in a considerable erosion in margins as banks new loans husiness.

Péchiney was looking to raise \$800m, but bankers involved in the deal said that more than \$1bn had been raised during the course of syndication. The borrower is expected to take a decision in the next few days on whether to increase the loan.

The loan, jointly arranged by Barclays Bank, BNP, Société Générale and CS First Boston. will be divided into two tranches. One tranche of \$400m will have a relatively long maturity of seven years, while the other \$400m tranche will

have a life of five years.

Péchiney, which is unrated
but is perceived by the market as a single A credit, is paying an interest margin of 55 basis points over Libor for the first five years, on both tranches. The spread over Libor will rise to 60 basis points for the final two years of the loan.

The commitment fee is 27% basis points for the first five years, rising to 30 basis points in the last two years. The participation fee is 17% basis points on \$40m for lead managers and 12% basis points on

### Ball denies resignation was linked to US probe

MR George Ball, who has resigned as senior executive vice-president at Wall Street brokers Smith Barney Shearson, denied that his departure was linked to the US government's investigation of a scandal at Prudential Securities,

the firm he once led. Prudential has agreed to pay at least \$371m in fines and restitution to clients who bought billions of dollars of high-risk property and energy limited partnerships in the 1980s after they had been wrongly told by Prudential brokers that they

were low-risk investments. Mr Ball was chief executive of Prudential, then known as Prudential-Bache, between 1982 and 1991. Investigators are reported to be considering civil proceedings against former Prudential executives.

Although reports said Mr Ball was ousted from his post at Smith Barney because of concern that the firm's reputation would be harmed if such a high-profile figure faced charges relating to the Prudential scandal, Smith Barney said Mr Ball had informed them of his plans to leave several months ago.

### New warrants launched

TWO NEW warrant issues reflect increasing activity in emerging market debt derivatives, writes Tracy Corrigan. Société Générale launched

an innovative issue of 400 "down-and-out" call warrants on Vnesheconombank's US dollar-denominated syndicated loans. The warrants expire if the value of the loans falls below a pre-determined level

LIFFE EQUITY OPTIONS

of July 22 1994, which is also the expiry date. Salomon Bros issued 1,200 call warrants on a basket of emerging market debt comprising Republic of Argentina collateralised fixed-rate bonds due 2028. Republic of Brazil IDU bonds due 2001, Republic of Nigeria par bonds due 2020 and Republic of Venezuela collateralised fixed-rate bonds due

### completion of an extensive tificates are raised to B minus financial restructuring from triple C plus. Both ratings However, S&P said that the

MARKET STATISTICS

RISES AND FALLS YESTERDAY

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R UBEROID yesterday announced a return to the stock market

almost five years to the day

that Tarmac fought and won a

bitter nine-week battle to take over the roofing materials com-

pany with rival bidder Raine

The flotation, which is likely

E70m, completes Tarmac's pro-

gramme of disposals intended

materials and construction

company's balance sheet weak-

About 65 per cent of the new issue, sponsored by Robert

Fleming, is likely to be placed

firmly with institutions and 35

per cent placed subject to claw-

back in an open offer. The com-

pany does not expect to raise a

significant amount of new

Tarmac's £141.3m bid,

described in 1988 as a classic

white knight operation,

engaged the City for weeks as Mr Thomas Kenny, Ruberold's

then chairman, engaged in a pointed public debate with Mr

Peter Parkin, Raine's chief

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Margins squeezed by rising scrap metal costs

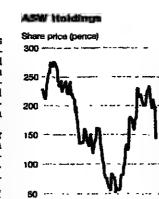
# ASW shares fall 41p after profits warning

SHARES IN ASW Holdings plunged by 41p to 147p yester-day after the Wales-based steel products group issued a profits warning because of rising scrap prices and reduced selling prices in the recessionhit continental European

Analysts had been predicting pre-tax profits ranging from £7.5m to £15m or more, but yes terday one said he had "pencilled in" a downgraded forecast of £2m for 1993. Last year, the company suffered a pre-tax

ASW had warned at the interim stage in September that the price of scrap, its main sharply in June. Yesterday it said the price had fallen in August but had since risen

The company said that as a result of this, together with weak selling prices for ASW's principal products in continental Europe, margins had declined significantly from those experienced in the second quarter, with weak selling prices for principal products in Europe adding to pressure.



tions did not change substantially, the group's steel activities would stay in profit during the second half, but profits would be lower than the £5.7m achieved in the steel business in the first six months, the

92

1991

ASW's steel businesses were the star performer in the first half, rebounding from profits of just £900,000 a year earlier, and a loss of £4.4m for all 1992. In contrast. ASW's much

business suffered a £2.5m loss for the first half, but is expected to reduce its deficit in the current half. Overall, ASW had a first-half pre-tax profit of

Mr Alan Cox. ASW's chief executive, said in September that he was "more confident than for a long time" about the company's main steel business. But he was cautious about the outlook for steel margins. Yesterday ASW said that,

given the volatility of European margins, it was too early to make any comments about 1994 - when some analysts were expecting big rises in profits.

Mr Ian Lowe at Smith New Court has downgraded his 1993 profits forecast from £11.7m to £1m, reflecting reduced losses in construction systems as much as the problems in the steel business. "These have some longevity about them,"

His 1994 prediction is Mr Ian McPherson, who is reduced from £20m to £9m. ASW said that, in the stepping into the top job at the new Ruberoid company, said: "I know Ruberoid will be absence of unforeseen circumstances, it intended to pay an unchanged final dividend of 3p remembered. It has only been off the market since 1988." also unchanged, for 1993. Ruberoid currently generates about 60 per cent of its sales from contracting, of which 70

UBEROID yesterday announced a return to the stock market balance is in manufacturing bituminous waterproofing systems predominantly for the construction industry and distributing them from warehouses in Lancashire, Dundee and Enfield.

The company, which Tarmac to value a now substantially smaller Ruberoid at about roughly halved through dispos-als, has been on the market for trade buyers since April but the parent said no realistic to strengthen the building price was suggested during preliminary talks with potential purchasers.

This made the prospect of seeking a listing on today's high market, with investors now generally willing to pay more than trade buyers, all the more attractive to both Tarmac and Ruberoid's management. Mr Neville Simms, chief executive of Tarmac, said: "Of course you take advantage of the fact that there is a more obvious and visible value to

the people who are running the Mr McPherson, who is quitting the post of president of Tarmac America to become chief executive of the new company, said: "They are good businesses and they always have been. He said: "Personally I have always wanted to run a plc company because I have done everything else. I have lived with a huge division

inside a big group which has all of the disadvantages of a

plc and none of the advan-

ous year end.

Ian McPherson: stepping into the top job at Ruberoid

tages." To fulfil this ambition he is bringing the waterproofes of Ruberoid and ing business Tarmac to the market, of which the main companies are Ruberoid, Permanite, Briggs Amasco, NEBI and ATAR. Mr McPherson claims for the

**NEWS DIGEST** 

June 30, against a profit of

Turnover was down from

£193,000 last time.

25.45m to 24.33m.

Ruberoid bounces back to the market

Flotation completes Tarmac's programme of disposals. Catherine Milton reports

cent share of the UK roofing market and a 16 per cent share of the country's specialist roofing contracting market. The large shares might have given any trade buyer difficulties with the Office of Fair Trading. ATAB in Belgium and NEBI in the Netherlands are leading

ing products as well as roofing and cladding contractors. The businesses brought together for the flotation made

manufacturers of waterproof-

pre-tax losses of £12.8m (losses of £6.7m) in the year to December 31 on turnover of £280.4m

(£263.8m). The deficit was struck after provisions of £11.3m (£6.9m) with the bulk against redundancy and reorganisation as well as some to cover poor contract results. There was also a notional interest charge of 26.1m (26.8m).

There are no exceptional items forecast for 1993 and the interest charge for the current year is likely to be just below film following a refinancing which should ensure an aver age gearing of about 10 per cent during the year.

Mr McPherson said: "The current order position supports our forecasts: we don't yet see any major upturn in the UK: we think the market will be strong by 1995."

He said the board's strategy would be to "major on the brand names" such as "all the Permas and Rubers" which, he said, had become for builders as generic as Hoover. The company expects to capitalise from roofs which have been neglected during the recession

Mr McPherson plans to hold equity in the company as do all the directors: "We are going to put our money where our mouth is," he said.

2476,000 (£42,000), but there

# Stanley Leisure upbeat and buying bookmakers chain

By Peggy Hollinger

SHARES IN Stanley Leisure rose 20p to 249p yesterday as the betting shops and casino group issued an upbeat trading statement and announced the £8m acquisition of the bookmakers chain Selwyn Demmy (Racing).

The company said yesterday that after the first six months, "the trading performance in both the betting shop and casino divisions are considerably ahead of the same period last year.'

Analysts revised their forecasts for the year to the end of April from £9m to £10m.

Stanley is buying 49 betting shops in the north-west of

which owns Demmy Racing. Demmy's 49 shops bring the number of outlets operated by Stanley's racing division to

The company said that it expected to make significant savings from the integration of Demmy's shops with its own.

Stanley is paying £6m for Demmy investments. This figure will be adjusted however, subject to Demmy's net asset position. The consideration will be

satisfied by the issue of 589,520 Stanley Leisure shares at 2290. £250,000 in cash and the balance in loan notes repayable within three to five years. The vendor has agreed not to sell the Stanley shares for at least

Demmy Racing returned

profits of £247,000 for the year to February 27, on sales of £25.2m. However, this was before charges of £242,000 for interest on loans to the company by directors, depreciation of goodwill, and executives

remuneration Demmy Investments is expected to show a debt of 21.65m to Mr Selwyn Demmy, which will be repaid in cash on

Last year Stanley Leisure returned annual profits of £8.05m, a rise of 3 per cent, in spite of an estimated £300,000 loss on the Grand National debacle at Aintree when the race was called off after two false marts.

Sales for the 53 weeks were £218.4m, against £203.3m in

### Llovds Chemists in Scottish buy

John Hamilton Pharmaceuticals for £4.65m in cash. Hamiltons is an established pharmaceutical wholesaler. operating from a 45,000 sq ft freehold site at Clydebank,

McCarthy

Services

Information

it reported turnover of

### Wilton cuts losses to £785,000

WILTON GROUP, the USMtraded toys, hardware and electrical goods concern, cut pretax losses to £785,000 in the first half of 1993. This compared with £2.51m last time, which was after a 22m provision for future losses on discontinued operations.

Losses included £463,000 attributable to Glenchewton, in which Wilton held a 70 per cent stake until August 1993. when it was reduced to 34 per cent. In accordance with FRS 3. Glenchewton's results have been reported as relating

to discontinued activities. Total turnover for the period fell from £14.67m to £8.85m, of which £481,000 (£462,000) related to continuing operations. Net interest charged was £253,000 (£819,000) and losses per share came out at 0.13p (0.37p).

### Morgan Grenfell **Equity Income**

of Morgan Grenfell Equity Income Trust stood at 139.7p at the September 30 year end, against 122.8p six months earlier and 94.15p at the previ-

| Temporaries |

Period Printer Printer

Available revenue for the year amounted to £1.25m (£922,000) for earnings of 5.13p (3.78p) per share. An increased final dividend

of 2.5p (2.45p) is proposed, making a total for the year of 4.5p

### Trinity acquires Argus newspapers

Trinity International, the Chester-based publisher of the Liverpool Daily Post and Echo, is acquiring the 27 local newspapers owned by Argus Press. The move follows last week's approval of the deal by the Department of Trade and industry.

Trinity is paying \$20.7m in cash for the south of England pre-paid and free titles. In addition, Trinity will pay a further estimated £1.5m cash for stock, reimbursement for the benefit of pre-payments and to assume trade creditors. In the year ended March 31 1993, the assets being acquired made a net profit of about £600,000 on turnover of £25m, with a net book value of about 25.7m.

The deal gives Trinity a presence in the south of England for the first time and furthers its strategic aim of expanding and diversifying its regional newspaper interests.

### Courtaulds expands in Indonesia

Courtaulds, the chemicals company, is continuing its develop-ment in the Far East with the opening of a 27m coatings factory in Jakarta, Indonesia.

The factory is owned by PT Courtaulds Coatings Indone a joint venture between Courtaulds, with an 80 per cent stake, and Dharmale, an Indonesian group, with 20 per cent.

### Mid Kent Holdings buys Linkclever

Mid Kent Holdings, the water supply company, has acquired the Linkelever group of compa-nies, including CRI - its radio and telemetry data collection, transfer and control arm. The maximum possible cost

of the purchase is £4.4m. However, on current profit projec-tions, the board estimates that the actual amount will be about £3.3m in cash. MKH will pay £2.5m - £2.1m

on completion with a balance of up to £400,000 dependent on the audited net asset value of CRI at the completion date. Thereafter, a profits-related payment of up to £1.9m is pay-CRI estimates that the addi-

### GR Holdings incurs loss and cuts final

tional amount will not exceed

GR Holdings, which has the Grayshott Hall health hydro, property dealing and sheepskin manufacturing as its principal activities, made a pre-tax loss of £438,000 for the year ended

executive directors. Hartwell disposes

Hartwell, the motor distribution group, has sold its Ford dealership in Lincoln to Pen-

Hartwell will retain the free-hold of the site and it is planned that the dealership

### MIM Holdings buys UK zinc smelter

MIM Holdings, the Australian metals group, has finalised the purchase of a zinc smelter and manufacturing plant at Avonmouth for £47.8m.

The Imperial Smelting Prostream zinc processing capacity.

MIM directors said that the

	Current payment	Date of payment	Corres - puncing dividend	Total for year	Total last year
Grand Centralint Morgan Gr Equityfin TR For East Incin	nii 2.5 1.3	Dec 30 Jan 3	0.45 2.45 1,2	4.5 5	1,25 3,45 4,5

manufacturing plant at Blox-. wich produces a range of value-added sinc products.

Platforms for £1.28m in cash.

group's gearing is expected tall

from 45 per cent to 20 per cent

At end-1992 Access incurred

sses of £896,000 and had not

Machinery for \$13.4m (£9m).

\$1.5m is dependent on the net

assets of Linder at completion.

BM expects to incur a deficit of

Linder, a North American

distribution company, was

acquired by BM as part of its

purchase of Blackwood Hodge

Grand Central falls

Grand Central Investment

Holdings, the food group with interests in Asia Pacific, fell

2745,500 into the red in the six

That compared with a profit

of £1.01m last time and was:

struck on turnover up from

The decline was due to the

closure of the Singapore manu-

facturing plant and its reloca-tion to Malaysia and Indonesia coupled with the continued

downturn in performance of

commodity-related operations,

Losses per share were 1279 (1.47p earnings). There is no dividend this time (0.45p).

Pex losses deepen

Pex, the reorganised hosiery

manufacturer which is now concentrating on its children's

brands, increased pre-tax losses from £405,000 to £744,000

Turnover was down at 25.9m

The operating loss on con-

tinuing operations deepened to

for the half year to July 81.

£745,500 into red

months to June 30.

229.8m to £32.9m.

the directors said.

to £744,000

about £1.5m on the disposal.

A further payment of up to

by the year end.

liabilities of 22.5m.

**BM** continues

After increased tax of Roskel sells plant 2640,000 (£208,000) there was an hire arm for £1.28m attributable loss of £1.08m (£15,000) and losses per share

suspended ceilings contractor A final dividend of 1.49 (1.8p) and partitioning and ceilings is proposed, making a 1.8p (27p) total. The comparative distribution group, is selling the business and assets of dividend included a 25p special Access Rental, its plant hire arm, to Nationwide Access payment.

### Abtrust Emerging issue oversubscribed

Valid acceptances totalling 54.8m shares were received by Abtrust Emerging Economies Investment Trust in respect of the 50m ordinary shares offered for subscription with

warrants attached. The basis of allocation is: up to 10,000 shares in full; 10,500 to 25,000 shares, 85 per cent; 28,000 to 50,000 shares, 80 per cent; 52,000 to 100,000 shares, 75 per cent; 120,000 to 173,000 shares, 70 per cent; 250,000 shares, 50 per cent; 500,000 to 750,000 shares, 25 per cent; and 1m shares and over, 15.25 per

### Malaya pays £1m for dealership

Malaya Group, the motor retailer, has paid £1m cash for the Mann Egerton dealership at Colchester, Essex. Additionally, vehicle stocks will be

bought at agreed values. The company also announced that Mr Ronnie Lancaster, founder of the Lancaster group, and Mr John MacArthur, chairman of MacArthur & Co. and a former director of Kleinwort Benson, were to join the board as non-

# of Ford dealership

dragon Group.

will relocate in a year's time.

cess smelter, which employs some 600 people, was bought from Pasminco, and is designed to give MIM down-

smelter could have particular strategic significance once output from the McArthur River mine project comes on stream in a couple of years' time.

The smelter has the capacity to produce 120,000 tonnes of zinc and 55,000 tonnes of lead

bullion, while the associated

	Gurrent payment	Date of payment	Corres - puncing dividend	Total for year	Total last year
Grand Centralint			0.45	-	1.25
Morgan Gr Equityfin	2.5 1.3	Dec 30 Jan 3	2.45 1.2	4.8	3.45
				5	4,6
Dividends shown pence	per share	net except	where othe	rwise ste	ted. †On

was a profit on the sale of fixed assets of £36,000 (£153,000). Interest charges were cut to 2304,000 (£516,000). Losses per share were 3.89p (2.12p).

### Loss at Westminster Roskel, the specialist

Scaffolding rises Losses at the USM-quoted Westminster Scaffolding Group rose from £524,000 to £1.66m pre-tax for the half year to April 30. The deficit per share The proceeds will be used to reduce Roskel's debts and the

rose by 1.9p to 3.2p. in consideration for the pur-chase from the Righlast Croup of scaffolding worth £150,000 Westminster is issuing 1:5m new ordinary 10p shares at par. The issue represents 2.8 per cent of the ordinary equity.

### TR Far East net assets improve

disposal programme As part of its continuing TR Far Bast Income Trust had a net asset value of 160.9p at restructuring, BM Group, the August 31 compared with 91.6p construction equipment combine, has signed an agreement a year earlier. Fully diluted the value was 151.60 and 93.80 for the sale to Komatsu America Corporation of its shareholding in Linder Industrial

respectively. Net revenue for the year improved from \$2.12m to \$2.44m for earnings of 5.25p (4.56p) per share. A fourth interim dividend of Lap (1.2p) is declared making a total of 5p (4.5p). The directors have forecast a dividend for the current year of not less than 5.2p.

### London Secs in asset talks with Nu-Swift

London Securities, the property investment company, has begun preliminary talks on acquiring certain of Nu-Swift's

Nu-Swift, which holds a 29.2 per cent stake in London Securities, provides fire protection equipment and services and cleaning and maintenance ser-

### Allen to acquire Andrew Sykes arm

Ailen is acquiring Cantahire. tool hiring substillary of Andrew Sykes Group, for an estimated £713,000. Cantainire, based in Peterlie County Durham, has six depois in the north east. In the year to

### March 31 1993, it made an operating loss of 297,777 on turn Over of £1.16m. Seafoods buy for

Perkins Foods Perkins Foods has accurred the Cromer Crab Company & Not folk processor and suggested of crabs and shellflest for a consideration to be satisfied by the laste to the vendors of 180,952 new ordinary 10p shares.

# THE BANK OF NOVA SCOTIA

\$100,000,000 Floating Rate Debentures 2000

Lesus Price 100, 10 per cent. For the three months 29th October, 1993 to January, 1994 the Debentates will bear life of 5.85% per annum and the compen ap \$10,000 denomination will be \$150.66.

Adout Bank Samuel Montagu & Co. Limited

England through the acquisition of Demmy Investments, wing companies have notified distant a settings to the Stack Enghange. Busines usually held for the purpose of g dividence. Official indications are not nther the divisions are m pub-divisions altern bald ant year's timesphips.

**BOARD MEETINGS** 

north of Glasgow.

Lloyds Chemists has acquired In the year to May 31 1998

The net asset value per share

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# Bass acquires 34% of Prague **Breweries**

By Philip Rawstorne

BASS, the UK's leading brewer, has agreed to acquire a 34 per cent stake in Prague Breweries, the second largest brewer in the Czech Republic,

The deal is Bass's first overseas brewing venture since it sold its interest in Lamot, the Belgian brewer, 12 years ago.
Mr Ian Prosser, Bass chairman and chief executive, yesterday described the Prague deal as "an important first step" in the group's search for opportunities for international

It offered good prospects for further development in the Czech market and for increased exports, he said.

The Prague group, which will have net assets of £30m after the deal is completed. plans to invest £50m over the next five years in expanding and modernising its three breweries. It has a 10 per cent share of the Czech beer market which is about a quarter the size of that of the UK. Prague's sales of £38m last

### McInerney -**Properties cuts** loss to L£1.77m

McInerney Properties, the Dublin-based housebuilder and property developer which has lelsure-related construction developments in Spain and Portugal, reduced pre-tax losses to I£L.77m (£1.67m) in the first half of 1998. Losses

The result, on turnover of 1212.9m (I£15m), was struck after exceptional provisions of

The Four Seasons resorts in Portugal and Spain reported a good sales performance but incurred losses. Good progress was being made in Germany.

Losses per share amounted to 1.47p (3.31p). 1.6p (2.2p). s

ENGINEERINGS

the was to

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Stanislav Prochazka, general manager of Prague Breweries

year included a significant contribution from exports, mainly to eastern and central Europe. Bass will introduce Prague's leading premium lager, Staro-pramen, into the UK and a

number of other international markets next year. The UK brewer will have four seats on the Prague board and a number of senior manag-

The group's other activities. ers will be seconded to the grain and feed, "were continu-ing to trade satisfactorily" with most performing shead of

### Cranswick shares drop 32p on

warning A WARNING yesterday from the directors of Cranswick that interim profits would be below their previous expectations sent the company's shares down by 32p to

159p. Following an "extremely disppointing" performance from the pig rearing activities in the second quarter they expec-ted pre-tax profits for the half year to September 30 to be about £700,000 compared with £968,000 previously.

However, the interim dividend was expected to be held at 2.4p when the results are amounced early next month. The directors blamed the second quarter setback on a substantial and unforeseen fall in pig prices throughout Angust and September, com-pounded by higher feed costs resulting from flooding in the US and a late harvest in the

They pointed out that pig prices had continued to fall in October and would have an impact on that month's profit-ability.

trial relations dispute. He said it was "heartbreak-

# Unions agree to staff cuts at Aer Lingus.

AGREEMENT was reached yesterday between management and unions at Aer Lingus, the Irish Republic's trou-bled state-run airline, on I£21m (£19.8m) of payroll cuts being sought by the company, out of a total of 1£50m in a cost-pruning rescue plan to bring the airline back from the brink of financial disaster.

The agreement accepts 800 job losses from the airline's 5,500 workforce, and "radical" deal has still to be approved by the workforce in a secret ballot of union members, but union officials yesterday acknowledged that they would be unable to get better terms from the company.

A clearly relieved Mr Bernie Cahill, the airline's executive chairman, said: "A few months ago there was no future for the airline. Now there is, I believe the rescue plan will work, I have no doubt about that." Mr Paul O'Sullivan, the

negotiating official for Siptu, the trade union representing the bulk of the Aer Lingus workforce, described the negotiations as the toughest he had ever been through in an indus-

ing" to negotiate away 800 jobs and that "the changes being asked of the workforce are enormous, but are necessary to create an airline capable of The Boeing 767: Aer Lingus has two of these aircraft - currently idle - on lease from GPA competing in a deregulated The company said that more Second, a I£175m equity

The airline was seeking cuts

of 1,280 man-years in labour costs, but received acceptances for only 800 voluntary redun-dancies. Management then argued that only 300 of these could be released, unless there were major changes in work practices. These have now been conceded by the unions. Still to be negotiated are

1214m cuts in labour costs from the airline's aircraft maintenance subsidiary, Team, and If15m in non-labour overheads.

rapid progress was now expected in those areas, with the core agreement now settled with staff in the main airline business.

Two obstacles still lie in the path of finally wrapping up the rescue plan, assuming the secret ballot approves the

First, management and unions have agreed to go to arbitration over pay settlements for the coming year the airline management says no pay award can be made

deal with the unions will come

unravelled. The airline is currently losing about If1.2m a week and last month reported a pre-tax deficit of I£190.7m for the year ending March 31 1993 on turn-

over of I£817m. With net debt of 12540m at the last financial year-end, gearing was 533 per cent. In the summer, the airline's bank creditors threatened to shut off lines of credit to the airline unless a viable rescue plan was put in place by the

last time were I£1.84m.

12753,000 (E£950,000).

The company said it would incur a further loss in the second half but hoped to return

### **Bolton falls to** £142,000 after Langho losses

Pre-tax profits at Bolton Group, the property investor, fell from £202,000 to £142,000 in the year ended April 30.

The result was struck after losses relating to the Langho Nursing Centre, which had been disposed of, the directors said, as it required a dispropor tionate amount of management time and would not gencrate the target return Since the year end the deci-

sion has also been taken to dis-

pose of certain investment

properties, which will result in

a reduction in debt of about Turnover was £2.46m (£1.88m). Net interest took more at 21.24m (21.18m) and against 245.4m if all sharehold-crete block pavior business, compse earnings per share came to are had received the full 9.5p Russell Concrete Products, to estimate the cash dividend. Also, some Marshalls Mono, a subsidiary cash.

### NEWS IN BRIEF

BRITANNIA GROUP: Rights issue taken up as to 8.84m shares (77.6 per cent). Figure includes acceptances in respect of 7.39m new ordinary shares, being the renounced entitlements of certain directors and major shareholders (64.8 per cent), which were placed with institutions and two other directors. The balance will be taken up by sub-underwriters. ENTERIPRISE OIL has received elections for its enhanced scrip dividend alternative in respect of 455.3m existing ordinary shares, representing 95.3 per cent of its issued ordinary share capital. The cash offer has been accepted in respect of 178m existing ordinary, repre-senting 38.6 per cent of elections. The cost of the 1993 special interim will be £2.im

212.8m has been saved in ACT. HARRIS (PHILIP) has acquired the Birmingham-based occupational health supplies business of Surgicon Reside Group and Surgicon for £632,000 cash, plus stock and debtors at valuation estimated at £350,000. The business makes operating profits of about £100,000 on sales of

KELT ENERGY: As a result of the subscription and open offer Kelt will issue 12.5m new ordinary shares of which CP international Securities will subscribe for 12.14m, representing 14.4 per cent of the company's enlarged share capital. Appli-cations under the open offer were received in respect of 353,154 new ordinary shares. RUSSELL (ALEXANDER) has sold its concrete block and con-

of Marshalls, for £2.73m. RCP incurred a pre-tax loss of £452,000 for the year to end-December 1992. The sale was part of Russell's policy of disposing of under-performing assets and reducing borrowings. SOUTHERN WATER has acquired the ERG Environmen-

tal Resource Group for £2.25m. The consideration, in part via the issue of 311,858 new ordinary shares, is subject to adjustment. In 1982 ERG achieved a turnover of £7m, of which a third was derived from outside the UK.

VINTEN GROUP has completed the sale of the UK electro-optics business of its subsidiary, Vinten Electro-Optics Ltd, to Coherent Optics (Europe), an offshoot of Coherent, the US laser and optics company. Consideration is an estimated £996,000, payable in

# **INDEX CONSTITUENTS**

injection promised by the gov-ernment in the event of I£50m

of cost savings being achieved,

is still dependent upon approval by the EC Commis-

Aer Lingus's rivals on the

intensely competitive Dublin-

London route are waging a lob-

bying campaign in Brussels to

block approval, arguing that

the government support would

create unfair competition for

their operations. Without the

12175m support, yesterday's

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# Xerox breakthrough worries silver market

cialmed that in graphic arts

By Kenneth Gooding, Mining Correspondent

SILVER'S BIGGEST market could be threatened in the long term if Xerox Corporation's claim to have developed a silver-free film process is justified, analysts suggested yester-

Worries about the Xerox breakthrough forced silver's price in London down by 15 cents a troy ounce, or 3.4 per cent, to 423.5 cents by the close yesterday. The sharp movement unnerved the rest of the precious metals market and gold fell to \$362.75. down by \$6.05 an ounce.

Xerox announced its new product, VerdeFilm, at the veckend. It is aimed solely at the graphic arts market and substitutes for the silver halide films used to make mastering plates for high-quality photography used in many magazines and newspapers and commercial printing. Xerox said there seemed to be no way yet for the process to be applied to consumer photography.
However, the US group

applications its patented techology "surpasses traditional silver-halide in quality and costs and addresses a pressing environmental concern" as VerdeFilm did not require any toxic processing chemicals. Graphic arts used about 1,300 tonnes of silver last year, or

one-fifth of the 5,800 tonnes used for photography and about 7 per cent of total silver consumption - 18,300 tonnes in 1992 - according to the Silver Institute, a Washington-based 'This development could

give silver a bad lmage," said Mr Andy Smith, analyst at Union Bank of Switzerland. He suggested Xerox's announcement could have a depressing impact on sentiment in the silver market in the same way as two other relatively recent revelations - news that Ford had developed a non-platinum car catalyst and that some central banks had been selling from their gold hoards - dented other precious metals markets. These are things that the market said would never happen.

And now some of the conver tional wisdom in the silver market is being challenged.

Mr Tony Warwick-Ching of the Commodity Research Unit consultancy group, like Mr Smith, said he spoke without knowing the full details of Xerox's technology or the costs of using it. But if the quality problems usually associated with non-silver film had been overcome, "this could threaten silver in the long term".

Mr Smith said the fall in the silver price towards \$4 an ounce would be a good test of demand in the Middle and Far East where "they take no notice of technological developments". Demand there would probably prevent the price falling much further.

Xerox said it would start commercial deliveries of its new product in the second quarter of 1994. Its process uses selenium, produced mainly as a by-product of electrolytic copper refining. About 30 per cent of the 2,000 tonnes of selenium produced each year goes to the electronic and photo-

# Oil wavers in run-up to output and demand news

By Robert Corzine

OIL MARKETS are likely to remain unsettled in the run-up to the release later this week of demand forecasts for consum-Ing countries and publication of official figures on October production levels by members of the Organisation of Petroleum Exporting Countries, analysts said vesterday.

Prices for Brent Blend for December rose to \$16.10 in late London trading yesterday after falling below the psychologically important \$16 a barrel

The weak prices prompted Mr Gholamreza Aqazadeh, the Iranian oil minister, to suggest at the weekend that Opec, which meets in Vienna later this month, might have to reexamine its production ceiling of 24.52m barrels a day in order to stabilise prices.

But Mr Peter Bogin, of Cambridge Energy Research Associates in Paris, said yesterday that "it would be very difficult for Opec to go below" the current ceiling, which was set in September and which is due to run until the end of March next year.

Everybody is surprised at how weak prices are, but we

MARKET REPORT

just have to assume that there is too much supply for present demand," he said. International Energy Agency

figures on likely oil demand in

the main consuming countries are due out at the end of the "If the IEA cuts its demand

forecast again then it will rein-force the bearish market," said Other factors behind the recent price weakness include

reduced demand from Asia, especially Japan, Asian buyers are normally the first to take prices, but they are "not leading the way" because of the economic slowdown in important economies, said Mr Vahan Zanoyan, a director of the Washington DC-based Petroleum Finance Company.

He also pointed to an overhang of crude oil stocks, sharply increased production from the North Sea, the possibility of Iraq's reaching an agreement with the United Nations which would allow it to resume oil exports and some "minimal" Opec output in excess of the production cell-ing as additional factors depressing the markets. Some unofficial estimates

have placed OPEC's October output at more than 24.9m b/d. The Middle East Economic Survey yesterday described such estimates as high, but said they had "severely under-mined" market confidence.

Mr Zanoyan said Opec may simply have to hope for an early cold spell in the northern hemisphere to prop up prices. A few weeks of temperatures saveral degrees below normal in November or early December can have a disproportionate impact on prices." The flow of crude oil

through the Brent pipeline sys-tem in the North Sea has been cut to 60 per cent of capacity due to maintenance on a pump Reuters reports from London. A Shell/Expro spokesman said the pump on the Cormorant Alpha platform was taken out of service over the week-

"Production levels are being maintained using available platform storage," he said. Cormorant Alpha is the hub of the Brent pipeline system through which crude oil from nine other fields passes on its way to the Suliom Voe terminal in the Shetland Islands, where Brent Blend crude is

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### Pakistan's cotton crop may be 15% below target

By Farhan Bokhari

PAKISTAN'S cotton output may be as much as 10 to 15 per cent lower than this year's target of 12m bales because of pest attacks in central Punjab, senior government officials say in their latest assessments.

The new estimates may be a setback to Islamabad's efforts in recovering from last year's large scale damage due to severe floods and a subsequent virus attack. Output fell then to 9m bales from the expected 12m hales.

Mr Zahoor Ahmed, head of Pakistan's leading cotton research station, in Multan, said yesterday: "The cotton crop could be 10m bales."

Recent pest attacks in the Punjah may have damaged as much as 50 per cent of the crop in that area, he added. The final estimates for this vear's crop are expected to be made available in the next

Meanwhile, legislators elected from Pakistan's cotton belt in Southern Punjab are expected to ask the govern-ment for special relief if the crop damage is spread over an area which is larger than current estimates.

One member of the newly elected National Assembly the lower house of parliament said: "What I have seen out in the fields is certainly no indication of the bumper crop that we hoped to have. It's a sad story of last year's calamity of floods being followed by this year's viral infection.

Stock prices on Pakistan's largest stock market, the Karachi stock exchange, bave risen in recent weeks, partly because of expectations of a large cotton crop and so a cheaper raw material, which would be likely to increase the profitability of textile facto-

But with the latest damage assessments, which may raise cotton prices in the local market, it is not yet clear if the forward movement on textile shares will continue.

However, an official of the Pakistan Central Cotton Committee said the rumours of pest attacks could be intended to boost prices, which have dropped in recent weeks on reports of a good crop this year. "It is too early yet to liscuss the damage, if any, to Prices for fresh crop cotton

have fallen sharply to 950 rupees a maund (37.32 kg), from about 1,100 rupees a

Kunal Bose reports on the country's proposals for retaining credibility as a supplier and, below, on moves to let coffee growers sell their crop abroad

# India backs sugar re-export plan

disposed to a proposal by the Indian Sugar and General Industry Exim Corporation to import raw sugar this season for re-export, after processing, as white sugar. The corporation has

suggested the export-linked import of 250,000 tonnes of raw sugar during the 1993-94 season. India, which re-entered the sugar export market in 1990-91 after a gap of six years, wili not have any exportable surplus in the current season. The initial sugar production forecast for 1993-94 is 11n tonnes, compared with actual production of 10.6m tonnes last season and 13.4m tonnes in 1991-92. In spite of last year's

serious setback in production. India could export 411;000 tonnes of sugar as the 1992-93 season opened with very comfortable stocks of over 4.9m tonnes. Indian exports in 1991-92 were 562.000 tonnes, up from 223,000 tonnes in 1990-91. also recommended the import of another 550,000 tonnes of

Indian Coffee Board is inquir-ing into an allegation that Nestlé India, an important presence in the country's mestic and export trade in coffee, has diverted a portion of the coffee bought in export auctions into the domestic market, writes Kunal Bose. While the company maintains that no diversion of coffee meant for export has been

A SUB-COMMITTEE of the .

son to be refined for domestic

consumption. These import

would be made on condition

that the same amount was

exported in the following sea-

, when production is expec-

the sub-committee, which is of 1942. As the Indian Parliament is not in session now and the government wants the

chief executive, said: "Whilst

we want to see much greater

levels than currently, it's still

very early days and there

would still seem to be a high

The premium contract was

launched to take advantage of

dissatisfaction with the raw

sugar contract traded on the

mastisfied with the returns submitted by Nestlé for purchases made at export auctions between October 14 1992 and June 9 1993, thinks there is reason to debar it from par-ticipating in future export auc-

helped us in the past," an

ISMA official said recently.

"We have made considerable

effort to develop a market for

Indian sugar in the neighbour-

ing countries. This we do not

not, however, favour the idea of keeping Nestlé out of the export auctions. Its main conearn is to step up exports as the country heads for a bumade to the domestic market, per coffee crop in 1993-94.

> the crop to the Coffee Board. It is now clear that the government will progressively increase the size of FSQ, reducing the marketing role of the board and placing a question

According to growers' organi-sations the Coffee Board, in common with other commodity boards, should be concerned with research and development and promotion of the beverage, particularly in India.

In the meantime, growers are confident that they will be able to realise a better unit value from export sales than the board. In fact, the stagnation in

of its 4,000 employees.

stock of 500,000 tonnes of sugar

created six months ago. It

argues that not only should the

buffer be maintained but its

size should be expanded when-

ever there is an opportunity to

ensure regularity of export,

irrespective of variations in

According to ISMA, Indian

sugar production will once again be low as the area under

cane has not increased. What it

finds most disturbing is that

the area under cane in Mahar-

ashtra, India's most productive

cane growing state, has shrunk, while "the condition of

the crop in the drought

affected Maharashtra is far

Floods have affected the

standing crop in Bihar and a

from satisfactory".

few other places.

domestic sugar production.

domestic coffee prices has already been broken after the introduction of privately organised auctions.

There is a general sense of relief that a large-scale change in the coffee trade will coincide with an expected bumper coffee harvest of more than 225,000 tonnes in 1993-94, up from 161,500 tonnes last year.

### Total supply of sugar in the current season, which opened ted to improve. The Indian Sugar Mills Assowant to lose." Moreover, importing raw sugar for processing into white sugar would enable the Indian ciation has warned the governwith stocks of 3.2m tonnes, will ment that if India suspends be 14.2m tonnes at most. As industry to utilise canacity domestic consumption will be export in the current season the country will lose the "credwhich would otherwise remain more than 12m tonnes, com pared with 11.9m tonnes last In the meantime, the mills year, the next sugar season is The now on, now off likely to open with disturb-

1989/7 87/8 88/9 89/96 (0)/91 31/32 32/05 53/94 35 C Complete

# Coffee growers to taste foreign trade

N AN important move toward liberalisation of the marketing of coffee, the Indian federal government is to allow growers to export the commodity independent of the Coffine Board.

Encouraged by the success of its earlier scheme to allow the growers to retain 30 per cent of the crop for marketing within the country, the government has now given in to their demand to participate in the export trade. According to the new scheme, described as free sale

quota (FSQ), growers will keep 50 per cent of the crop for marketing inside and outside the country.
The scheme will, however,

become operational only when cortain amendments have been made to the Indian Coffee Act

TRADING volume in the

London Commodity

Exchange's new raw sugar

futures contract has slumped

Volumes in the contract,

launched on October 1, fell

from 1,655 lots on the first day

to as low as 15 lobs on October

26. giving an average for the

Mr Robin Woodhead, LCE

By Alleon Maltland

after a buovant start.

scheme to be operational soon, the changes in the Act will be made through an

LCE raw sugar contract hit by volume slump Coffee, Sugar and Cocoa Exchange in New York Many traders disagreed with a decision to allow Brazilian crystal

> the New York contract, saying level of support from the trade. "We remain optimistic that it should not be classed as raw volumes will increase once the physical market becomes more

E.D.& F. Man, the London trading house, said the down-ward trand in volume must be causing concern to the LCE. But Ms Angels Mutton, sugar

researcher with Man, pointed

sugar to be delivered against

out that volumes had been subdued in New York as well as London last month.

Mr Chris Pack, sugar analyst at C. Czarnikow, another London trade house, said the contract faced a "Catch-22 situation", with volumes unlikely to pick up until the physical trade began to show interest.

The sugar producers are looking for volume, and until they're in there, there won't be

ALUMINIUM prices dropped to fresh eight-year lows on the London Metal Exchange yesterday, tumbling to \$1,037 a tonne at one stage before a short-covering raily took the three-month price back up to \$1,045.2, down \$22 a tonne from Friday's close. Aluminium's collapse depressed sentiment in other metals, particularly COPPER, which sagged back towards six-year lows. However, traders said there was some underlying support near from the outset and prices subsided below \$4,600, Silver's

fall (see story above) dragged down precious metals and GOLD tested

**London Markets** 

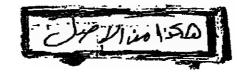
Grude oil (pr barri FOH)(Di	IGI	· or ·
Duba	31427-4371	
Brest Barrel (121cm)	\$15,72-5,74	
Brunt Bland (Deci	\$16.02-6.04	
William out	\$17,17-7,190	
OV products		
INVESTIGATED delivery per K	anno Cili	F OF
Presture Casaline	\$179-182	F1
Che Oil	\$168-109	43
Heavy Ford CV	\$62.64	
ALICINI'LL	\$151-153	<b>•0.5</b>
Petrobum Virtus issimates		
Other		> 100° -
Gold gor tray c.th	\$362.75	400
Store iour troy estill	473 Sc	-15
Platerum (per troy will	\$360 35	-5.15
Palled an ipor the cap	\$127.75	425
Coup-r IUS Produces	84 50	
Load (US Producer)	33 50c	
lin (Karis Lumpur markul)	N:A	
fan (New York)	218.00	<b>41,0</b>
dinc (US Primiri Westorn)	Unq _	
Cattle ine weight?	122.13p	18.04
Snerp (inn waght))	79.8tp	-1.46*
Half their series	70.24p	+3.23
Landon dady sugar (raw)	\$268.70	+2.20
Lor-ton dady togat (efstet	\$240.00	
Tate and Lyte impurt page	£292 50	+1.50
Barry (Erspain foud)	Cros qu	
Numer (US No. 1 pellen)	17205	
Wheat IUS Dark Northern)	£168.0	+1.5
Rutecer (Cuci♥	61.25p	
Hutor Lan♥	01.5 <b>0</b> p	
Hubber (FL RSS No. 1 Jul)	208.0m	
Communication of Photogram of S	\$433.04	175
Palm Od Middenson's	\$337.50	-24
Copy : (Photoprovik)	\$285.0	
Southern (US)	£183.0w	
Collect "A" andex	54.35c	
Woodlogs (61: Sugar)	3550	+12

support at \$362 before closing in London \$6.05 a troy ounce down at \$362.75. PLATINUM fell by \$5.15 to \$369.35 an ounce. "Having falled on the upside last week. sliver gave us the excuse to take it [gold] down to test lower levels,

	me deal	er Apolin	var agiri	COCCA				Cibini
		not acte			Close	Previous	High/Low	
			ks; it is just	Deg	930	941	229 923	
			in gold and	Marie	984	970	865 965	
			clawed back	A. Carrier	966	978	970 963	
			ses, with	34	989	676	986 982	
			osing at £964,	Sup Dec	969 950	976 966	970 983 948 942	
			ading, after ring a slump	Mor	960	956	948	
	y York.	DO IONOM	nd a signific	May	963	886	951	
		rom Reu	rters	34	986	198	965 953	
				Sep		950	959 955	
CHUDE	04 IPE		\$/barral			BOBJiots of 1		ally rates
	L.dosk	Provious	High/Low	for Oct 2	29 931.60	(1832.53) 10	per tonnej. Di dizy sverage i	or Nov 1
Dec	10.00	15.80	16.18 15.81	924.47	922.20			
Jan Feb	16,25 16,46	16,05 16,18	16.37 1G.07 16.49 1G.23					
Mar	16.50	16.31	16.59 16.34	COPPE	E - 125E			\$/torne
Apr	16.60	18.47	16.69 16.43				18-58	
A-6-29	16,70	16.56	16.77 16.62		Close	Previous	High/Low	
Jun Jur	10.85 16.83	16.00 16.76	19.86 16.71	TWO IS	1133	1194	1204 1192	
Aug	16,95	16.83	16.25	Japan	1213	1211	1220 1210	
IPE Inde		16,40		Mar	1201	1202	1208 1199	
Turnava	20405 (46	(315)		May	1193	1198	1200 1196	
						389 lots of		_
GAS OF	-175		\$/tom/4	(CO ind)	cator price	es (US cents	per pound) k	r Oct 29
	Close	Provious	Heghtlow	(58.12)	<b>GG</b> -7 70.1	a foot-and i	2 cal broke	,
Nov	163,75	161.25	MUM TALLES					
Dec	164 00		164.25 (61.50)	POTAT	063 - LC			Plone
Jan	163.50		163.75 160.75		Close	Previous	High/Low	
Pols Mar	162 75 161.75		162.75 169 50 161.75 159.25	ACI	84.9	84.3	86 5 85.0	
Apr	160.50		159.50 158.78	May	98.8	102.6	101.A \$1.0	
May	158.50	157 50	158.50					
,iun (MA)	158.25		158.25 15/00	Turnova	r (48 (255)	lots of 20 I	idninaji.	
· -	161.00		160 00	_				des coint
furnove	15351 (18	1933) lots of	100 tonnes	FREIGH	IT - LCE		\$194n	
furnove	r 15851 (18 - <b>ECIL</b>	1923) lots of	100 tonnes (S p'e torne)	FRICA	Ciose	Previous	\$1Q/m	
furnove	15351 (18	1923) lots of	100 tonnes	Nov		Provious		
furnove	r 15851 (18 - <b>ECIL</b>	Previous 294,50	(S p/x torine) High-Low 285 50 284 CO		Çiose		High/Low	
SUGAR White Dec Mar	15351 (18 - ECIL Close 284 10 279.90	Previous 284.50 281.50	(S per tornel Highellow 285 50 284 CO 281.70 279.90	Nov Jon Apr	(349 1355 1365	1342 1350 1365	High/Low 1350 1345	
SUGAR White Dec Mar May	15351 (18 - ECIL Close 284 10 279.90 283.50	Previous 284.50 281.50 283.40	(S por tonne) High-Low 285 50 284 C0 281.70 279.90 283 50 283 20	Nov	(2000 1348 1355	1342 1350	Hgh/Low 1350 1345 1355 1350	
SUGAR White Dec Mar May Aug	15951 (18 - LCH Close 284 10 279.90 283.50 287.00	Previous   Previous   294.50 281.50 283.40 286.50	(S por tonnel (S por tonnel High-Low 285 50 284 00 281.70 279.90 283 50 283 20 287.00	Nov Jori Apr BFI	(2000) 1348 1355 1365 1316	1342 1350 1365 1317	Hgh/Low 1350 1345 1355 1350	
furnover sucar white Dec Mar May Aug Furnover	15951 (18 - LCH Close 284 10 279.90 283.50 287.00	Previous   Previous   294,50 281,50 283,40 286,50 () Paris- White	(S por tonne) High-Low 285 50 284 C0 281.70 279.90 283 50 283 20	Nov Jori Apr BFI	(349 1355 1365	1342 1350 1365 1317	Hgh/Low 1350 1345 1355 1350	
furnover sucar white Dec Mar May Aug Furnover	7 15951 (18 - LCH Close 284 10 279.90 283.50 297.00 984 (1273	Previous   Previous   294,50 281,50 283,40 286,50 () Paris- White	(S por tonnel (S por tonnel High-Low 285 50 284 00 281.70 279.90 283 50 283 20 287.00	Nov Jori Apr BFI	7349 1355 1365 1365 1316 7 87 (104)	1342 1350 1365 1317	Hgh/Low 1350 1345 1355 1350	£/torme
furnover sugar white Dec Mar May Aug furnover Dec 167	- LCM - LCM - LCM - Close 284 10 2/9.90 283.50 287.00 - 984 (1273 73.28 May 1	Previous   Previous   294.50 291.50 293.40 286.50 B Paris- Whit (679.46	100 lannes (\$ per tornel Hight/Low 285 50 284 C0 281,70 279,50 283 50 283 20 297,00 to (FFF per tornet	Nov Jori Apr BFI Turnove	Close 1349 1355 1365 1316 7 87 (104)	1342 1350 1365 1317	1350 1345 1355 1350 1370 1385	
furnover SUGAR White Dec Mar May Aug Turnover Doc 167	r 15851 (18 - LCN Close 284 10 279.90 283.50 287.00 284 (1273 3.28 May 1 sol north in bost liquarity	Previous   Previous   294.50   281.50   283.40   286.50   Restaurance   Restaurance	(S per tornel (S per tornel HightLow 285 50 284 C0) 281,70 279,90 283 50 283 20 287,00 te (FFr per tornel) guidar and coloury	Nov Jon Apr BFI Turnove	Close 1348 1355 1365 1316 7 87 (104)	1342 1350 1365 1317	High/Low 1350 1345 1355 1350 1370 1385	
SUGAR White Dec Mar May Aug Turnover Doc 167 TEA Lands i medu	15851 (18 - LCtl Close 284 10 279.90 287.90 287.90 884 (1273 73.28 May 1 od north laborit and haby &	Previous  Previous  294.50 281.50 283.40 286.50  Paris- Whit 679.46  regions met (  ng sorts mot ofte (  mg and ofte (   mg and ofte (   mg and ofte (	(S per terme) (S per terme) Hight-Low 285 50 284 (0) 285 70 279.50 283 50 283 20 297.00 to (FFr per terme); good competition good competition good competition good competition good competition	Nov Jon Apr BF1 Turnove  Catalant Without Nov	1349 1355 1365 1366 1316 4 87 (104) Close 97.75	1342 1350 1365 1317 Previous 98,00	1350 1345 1355 1350 1370 1385 1370 1385	
furnover sugar white Dec Mar May Aug Surnover Dec 167 TEA Lando with I media the Ir	7 15851 (188 - £08 -	Previous Previous 284.50 281.50 281.50 281.50 281.50 281.50 281.50 286.50 Parts- White 1879.46 286.50 mg sorts more and other Association.	(S per terme) (S per terme) Hight-Low 285 50 284 C0 281-70 279.90 283 50 283 20 287.00 te (FFr per terme); good corruptition gular and coloury in distret, reports prame these were	Nov Jon Apr BFI Turnover	Close 1348 1355 1365 1316 7 87 (104)	1342 1350 1365 1317	High/Low 1350 1345 1355 1350 1370 1385	
furnover succars white Dec May Aug furnover Dec 163 TEA Lands with 1 media, the 16 should be 16	7 15851 (188  - ECH Cross 284-10 279-90 283-50 287-00 283-50 287-00 283-50 287-00 284 (1273 3-28 Marr 1 204 morth interest figurations and hally is as Gradons: stacky So holds wakes	Previous Pre	(S per terme) (S	Nov Jon Apr BF1 Turnove  Catalant Without Nov	1349 1355 1365 1366 1316 4 87 (104) Close 97.75	1342 1350 1365 1317 Previous 98,00	1350 1345 1355 1350 1370 1385 1370 1385	
Furnover SUGAR White Dec May Aug Furnover Doc 167 TEA Lands the following cars down other popular cars	15551 (18 - LCH Close 284 10 279.90 283.50 297.00 984 (1273 73.28 Marr 1 and north in best Equarity and hally is stacky So held values stacky So stacky So held values stacky So stacky So held values stacky So stacky So s	Previous Previous Previous Previous Pal-50 Pal-50 Pal-50 Pars-Whit Id79.46 Pars-Whit	(S per terme) (S per terme) (S per terme) (S per terme) 285 50 284 C0 285 50 283 20 297.00 (S (FFV per terme)) (good correpainten (good correpainten (good correpainten (per terme) (per t	Nov Jor Apr BFI Turnover Getated Wifees Nov Mur	Glose 1349 1355 1365 1316 7 87 (104) Glose 97.75 101.85	1342 1350 1365 1317 Previous 98.00 102.05	High/Low 1350 1345 1355 1350 1370 1385 High/Low 97,75 101,85	
SUCAR White Dec Mar May Aug Furnover Doc 162 TEA Lande with I medo the fo	- 15851 (18 - 1681 -	Previous  Previous  294,50  293,50  293,40  286,50  Paris- Whit ld79,46  Paris Impart and offer Association, sected beet it abundance in man offer Association in man	(S per terms) (S per terms) Hight-Low 285 50 284 C0 285.70 279.90 283 50 283 20 287.00 te (FFr per terms): The dearer, reports Plaine thes were reporting east Afri- were 10 to 15p turns were, on the dist last rates.	Nov Jon Apr BFI Turnover Getauses Witheat Nov M.z	7 87 (104) 1349 1355 1385 1316 7 87 (104) 3 E Marie Close 97.73 101.85	1342 1350 1365 1317 Previous 98.00 102.05	High/Low 1350 1345 1355 1350 1370 1385 High/Low 97.75 101.85	
REMOVER SUGAR White Dec Mar May Aug Furnover Dec 163 TEA Lands with 1 medu, the following cares officer Bright the re	15851 (18 - LCBL Close 284 10 279.90 283.50 287.00 - 884 (1273 3.28 Morr 1 - 10 morth in best Reports and north in best Reports stacky So held volume, hend, we ter Coylons reproduced:	Previous Pre	(S per tornel (S per tornel HightLow 285 50 284 C0) 285 50 284 C0 285 70 283 20 287 700  to (FFr per tornet) good competition gular and coloury in dearer, reports Plaine these were guerning cast Arti- typer 10 to 15p unter were, on the id at leal rates, coulty desarer with control good	Nov Jor Apr BFI Turnover General Without Nov Mur Barriny Nov Jan	Close 1349 1345 1365 1316 1316 7 87 (104) 6 1000 97.75 101.85 Close 101.00 103.05	1342 1350 1365 1317 Previous 98.00 102.05 Previous	High/Low 1350 1345 1355 1350 1370 1385 1370 1385 High/Low 101,20 103,00	
RUGAR White Dec Mar May Aug Furnover Dec 162 TEA Lance with I meda the fr shout cars down offer lance down o	r 15851 (188  - LCRI Close 284 10 279.90 283.50 287.00 - 684 (1273 3.28 Mapr 1 30 anorth labest Reports and halfy feat Greyont; stacky So hand, weter though the communication of	Previous Pre	(S per tornel (S per tornel HightLow 285 50 284 C0) 285 50 285 20 287.00 287.00 to (FFr per tornet) to (FF	Nov Jon Apr BFI Turnoves Wheek Nov Mar Nov Jan	Close 1349 1355 1365 1316 7 87 (104) 8 - 102 Close 97.75 101.85 Close 101.00 103.05	1342 1350 1365 1317 Previous 98,00 102,05 Previous 102,75 21 (169) Box	High/Low 1350 1345 1355 1350 1370 1385 1370 1385 High/Low 101,20 103,00	
Number Sudar May Aug Furnover Doc 167 Lands with I made cans down other Bright May 9 law m dotter Bright May 9 law m	r 15851 (188  - LCRI Closes 284 10 279.90 283.50 287.00 283.50 287.00 284 (1273 3.28 Marr 1 281 haly 8 as Drokon: stacky 56 hold values, somethines hand, we see Coylons were Coylons rend at least a cood medium 102 and medium modulum 102	Previous Pre	(S per terme) (S per terme) Hight-Low 285 50 284 C0 285 50 285 20 287.00 to (FFr per terme): good competition gular and coloury to dearer, reports Plains these were to continue to the series of the to the trial rates to talky dearer with continuing good.	Nov Jon Apr BFI Turnoves Wheek Nov Mar Nov Jan	Close 1349 1355 1365 1316 7 87 (104) 8 - 102 Close 97.75 101.85 Close 101.00 103.05	1342 1350 1365 1317 Previous 98.00 102.05 Previous	High/Low 1350 1345 1355 1350 1370 1385 1370 1385 High/Low 101,20 103,00	

ONDON H	STAL EXC	HANGE			P	rices Aupp	led by Ame	gemeled M	obel Theo
	Close	Prev	ious	High/Low		M Official	Kwb di		n intere
بسيندنسي	19.7% purti	p (il) per t	orpid)				Total d	ally turnove	46,796
ath	1023-4		.5-7.5	400000000	. :	015-0	40477	045	444 (
SHORES	1045-4	1067	-6	1057/1057	1	040-0.5	1047-73		100 Japa
Capper, Gre			546	1000 5145	NY 8 4	<b>697-8</b>	1001 0	ally turnove	40,000
inonthe	1601.5-2.5 1624-5		1,5-0.0 1-4,5	1696,5/15 1652/161	1	621.5-2.5	1826-7	194	,727 lots
and & per l	(princ)						Total	iely turnow	r 3,578
	394.5-6-5		5-9.5			94-6			
months	408.5-6	416-	<u> </u>	412/407		09-8-8	409-10		ing lots
Sekel (3 par >eh		4635			_	620-6	1026	daily tumon	F 4,440
	4505-1 <i>0</i> 4580-8	4686		4660/4560	, 4	570-80	4570-80	43,7	98 lots
in (S per to								daily turnow	
agh .	4695-700	4725				850-8			
	4740-50	4775		4790/467	•	<del>0</del> 95-700	4730-41		ec iota
Inc. Specia					_		Total d	ny tumover	24,547
	931-2 948-8		5-2.5 5-0.0	936 955/845		35-5 63-4.5	986-8	W3.5	U7 lots
ME Closing									-
POT: 1.482	9	3 mai	inc 1.47	737	- 6	renine L	Minor .	D ma	TORE 1.4
ME AN OR	iciel C/S up	et rete 1.	.4840						
OVEROUS B			40		N <sub>4</sub>	wY	OFK		
loid farmy or		-	2 equive	ineri.					
	362.50-3	62.00	- Admed		GOL		ez.; \$Aray a		
iose Spening	367,70-3					COSA	Previous	High/Low	
forming its	367,96		247.861		Nov	361.2	368.7	0	0 360.7
liternoon ilu Jey's bigit	363.25 369.00-3	69.40	245.323		Dea	362.1 363,0	389.6 370.5	966.9 0	0
kay's kow	360,75-3				Feb	363.9	871,4	\$70.6	382.0
aco Ldn M	ten Gold	Lendino	Rates N	a US\$	40	365,6	378.1 374.9	372.0 372.5	364.Ď 386.D
month	2.69	8 mc		2.66	Aug	369.2	375.7	\$73.5	872.7
months	2,68			2.88	Oct	372.9	378.5 380.4	0 376.5	0 372.4
months	2,68				_		roy oz, S/tro		
iteer fix	layed or	į.	US ets	squit	-	Close	Previous	High/Low	-
ipol months	288.75		428.50		Nov	363.0	363.0	D	0
months months	292,65 296,50		431.80 435,40		Jen Apr	357.8	373.1	571.E	365,2
5 lucutur	304.00		443.06		- Au	389.5 370.5	374.8 375.8	372.5 372.0	368.0
					Öct	372.0	377.3	Ü	8
JOTD COM					SELVE		dy az cente	froy oz.	
	\$ price		Aupa 3	plent		Close	Previous	High/Low	
brugumand		-373.00	249.00	262.00	Nov	421,5	436.5	0	0
Aaple leef (es: Soverei		-374,70 19.00	53,00-6	1.00	Dec	422.5 423.7	438.7 437.9	431,5 430,0	420.0 426.0
					Mar	426.8	441.1	-25.0	425.0
RADED OF	TIONS			· · · ·	May Jul	429.8 432.8	444.2 447.2	440.0 442.0	429.5 432.5
Uppalinium (		Cals		Pubs	Sep	435.6	450.1	445.0	439.0
Rrice price :				Mar	Dac	440.1	455.8	450.0 0	439.5
	22		:_		Mar	446.0	459.6	ō	ě
025 050	10		12 25	16 27	HOH	GRADE C	OPPER 25.0	100 fos; cent	a/bs
075	4	17	44	42		Close	Previous	High/Low	
opper (Gra	de A)	Çalis		Puts	Nov	72,70	73.00	72.70	72.70
800	. 30	3 62	21	33	Gian.	72.90 73.15	73.15 73.40	73.00 73.30	72.20
625	21	48	33	44	Jan Feb	73.15 73.40	73.85	73.00	73.00
300	12	2 37	50	57	Mar	73.85	73.85	73.75	.73.05
					Apr May	73.90 74.15	74.10	0 74.35	0 78.80
continue LCE		an Mar	Jan	Mar	Ø40	74.35	74,65	0	0
100	13			46	Jul Aug	74,60 74,85	74.80 75.05	74.80 0	74.50 0
150 200	97		54 55	85 90					
					-nu		PR 42,000 U		
COOR LCE		ec Ma		Mar	_	Latest	Previous	High/Low	40.00
00 26	44		14 24	31 41	Dec	17.21 17.41	16.92 17,12	17.34	18,90 17.12
数 50	19		39 39	41 53	Jen Feb	17.60	17.31	17.70	17.48
					Mar	17.73	17,48	17/02	17.60
	D	ec Jan	Dec	Jan	Apr May	17.86 18.03	17.60 17,74	17.97 18.06	17,74 17,89
Frent Crude			58		46.00	18:08	17.85	18.18	18.00
	15								
Brent Crude 850 . 700 750	1; 4	27 16	-	:	Jul Aug	15.15 18.26	17.96 18.06	18.27 18.26	18.05

-	Latest	Previous	High/Lou		SOYA	BEANS 5,0	00 by mirs o	ents/90th but	rhei
io D	80.66 61.20	51,56 82.21	59,95 53,45	-51.75 59.66		Close	Previous	High/Low	
b	63.25	62.41	B3.50 ·	82.85	Nov	618/4	619/6	693/0	613/0
ě	52,75	52,01	82.05	52.46	Jen	692/4	829/4	632/4	622/4
	51.95	61.21	82.20	61.70	Mar.	635/6	636/2	639/0	626/0
٧.	61.25	80.61	51.26	61.00	Megr	639/0	640/6	643/4	633/4
	50.70 50.80	80.26	80,80	80.60		042/2	643/0	647/2	638/0
l B	51.50	50.61 51.09	60.70 61.65	80,70 81,90	Aug Sep	644/0 631/4	642/0 635/0	646/0 1636/0	637/4 630/0
Þ	82.04	39.04	0	0	_		60,000 lbe; c		6300
œ	A 10 town	-/				Close	Previous	High/Low	
	Close	Previous	High/Low	:	Dec	23.87	25,44	25.61	23.12
10	1118	1180	1124	- 1105	Jen	23.36	23.58	25.70	23.20
1	1166	1100	1167	1150	SAME.	23.40	23.66	23.85	23,36
	1173	1175	1184	1160	May Jul	23,55 23,58	20.67 23.70	23.85 23.88	23.45 23.45
	1792 1208	F193 1206	1167 1200	1180 1200	Aug	25,40	23.59	23,40	23.40 23.40
p 4	1218	1921	1218	1216 .	(Pap	28.25	23.35	23.25	23.25
	1225	1840	1236	1835	Oat	23.05	23.02	23.06	23.05
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# CORPORATE TREASURY MANAGEMENT

Tuesday November 2 1993

Volatility in European currency markets and fear of foreign exchange dealing losses have forced companies to strengthen controls and re-assess their

approach to hedging, Tracy Corrigan writes. Institutional investors are also demanding greater disclosure.

# **Purse strings** are tightened

strong treasury function have become much more widely appreciated by companies in recent years, so too have the potential risks associated with a poorly managed treasury.

The loss of £150m in foreign exchange dealings by the treadepartment of Allied Lyons, the UK foods group, in 1991 triggered a wave of concern about internal man-

agement procedures. Since then, as well as tightening up controls, many companies have also started to pay more attention to broader policy issues. In particular, the unexpected volatility of European currencies over the past year has forced a number of companies to reassess their

approach to hedging.
For example, many UK companies had stopped hedging their exposure to European currencies, because they thought that they were protected by the exchange rate mechanism. When some currencies fell outside the system, they were taken by surprise.

"Many boards have been requiring the treasurer to be much more rigorous in deciding the hedging programme," said Mr Derek Ross, a partner at Touche Ross who advises companies on treasury man-

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on currency hedging; for exam-ple, hedging two to three months ahead, rather than 18 months, so that if the market turns, the company is not locked in at a disadvantageous

rate for a long period. Company board members are miss treasury officials as bureaucrats, and more likely to have an idea of what actually goes on in their company? treasury operation.

The other issue which has brought corporate treasury into the limelight has been a growing chorus of demands by institutional investors for greater disclosure of corporate treasury policies in companies'

The Association of Corporate Treasurers (ACT), a grouping of UK company treasurers, has produced an exposure draft of guidelines for disclosure. In the current climate, in which companies are being bombarded with new disclosure requirements, some companies are rather unenthusiastic, while others take the view that the guidalines should go fur-

has highlighted this issue. Analysis or investors looking at, for example, a UK company which has a large US operation could expect that company's



ings has been hedged, this will not be the case. Analysts would like to know not only whether the exposure is hedged, but also what rate the company has locked in.

Only a few UK companies. including RTZ and Courtaulds, describe their treasury activities, including interest-rate and currency exposure management policies, in any detail. Among companies themthere has been a renewed focus on cash mansgement. "If you can manage \$10m of liquidity better, that is

fundamental to the business, points out one treasury adviser. The stronger emphasis on performance management, as well as tough times at many compenies, has focused attention on an area that was often ignored in the 1980s. But the emphasis on internal

options, creating huge positions which were concealed from senior management. In the wake of that loss, the

ACT issued a set of guidelines urging tighter internal controis, regular audits and full disclosure of risk management However, companies have

continued to report losses stemming from treasury operations. Most have been on a much smaller scale, though a few have been substantial.

Most recently, Showa Shell Sakiyu, the Royal Dutch/Shell group's Japanese affiliate. revealed in February that traders in its treasury department had run up some \$1bn in unrealised foreign exchange

A \$6.44bn forward exposure to the dollar at the end of last year was incurred in secret by believed the US currency

would rise against the yen. Announcing its first-half results in August, Showa Shell described progress in unravell-For companies concerned ing the exposure as encourag-

from the episode. This latest loss points to a particular area of danger for large multi-national companies, which lies in the difficulty in keeping tabs on all areas of business. Most large multi-national companies now have centralised dealing operations, rather than trea-

ing, but said there was a "long-

ish tunnel" of two to three

years before it would emerge

each offshoot. "Generally, there has been quite a big improvement in the amount of attention that top management has given to internal control," said Mr Ross, who is also chairman-elect of

sury functions attached to

lems arise in some far-flung branch or associated com-

about the efficacy of their internal controls, there are a number of important checks to be implemented, such as making sure that the company's board agrees with policy, that there is complete segregation of duties between dealing, confirmation settlement and reporting functions, and that all transactions are marked to market value. These procedures should also, of course, apply to financial institutions.

For example, Sumitomo Finance international incurred a \$2-3m loss on its interest-rate options book last autumn, after a desk manager had concealed his real trading position from senior management.

The manager of the interest-

gave falsely inflated values in order to hide his true position. He then persuaded an employee with another firm, which he knew was used by

Sumitomo's accounts department to check those valuations, to quote inflated prices that corresponded with those gain in popularity in his own internal manage-

"In my experience, there are a lot of banks where a trader, believed to be of exceptional quality, reports direct to the top," said Mr Ross, who advises banks and securities firms in this area. "It's easy to develop a culture which allows

to his chief executive, but he

Since the Allied-Lyons losses were reported, there has also been a general move to upgrade computer systems, as technology has advanced and costs have fallen. Sophisticated systems are particularly important in certain areas of risk containment; for example, in marking to market, "But the key features of internal controis are not systems issues,'

the trading-room to develop

Mr Ross said. While a collusive fraud may still be hard to detect, controls involving a range of different ment and reporting process at least reduce the opportunities for positions to be hidden.

You can't stop somebody doing an unauthorised trade," admits Mr Ross. "But you can make sure it can be closed out the following day."

While there is still a strong

emphasis on keeping controls in place in the treasury department, the emphasis on managing financial risk is also spreading away from the treasury function, according to some management consultants. Consultants at Coopers & Lybrand point out that many of the notorious losses at companies in recent years stem from inadequate management of financial risks in other areas of the business - production quality failure in the case of Perrier, marketing failure in

the case of Hoover, for exam-

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as an 'anoine-room'

\$150m hit, they were not expected by top management and they could have been avoided by proper financial risk man-

"Financial risk is being redefined," says Mr Howard Lovell, a partner of C&L. "Should companies have a risk management function, over and above the Treasury department?" For example, a finance director could be given the task of managing the risks facing the com-

pany in a broader context. For all the importance of interest-rate management. interest-rate risk is relatively small, compared with other risks to the company which could wipe them out, he argues, adding that some companies have already taken this

point on board. Mr Lovell takes his argument a step further. "Is trea-

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minimise risk and

Excerpt of an article which appeared in the FINANCIAL TIMES, London, October 1, 1992

No other money market product offers greater security than a bank deposit, more flexibility than commercial paper and still provides a competitive rate of return. The market for Repurchase Agreements (repos), long established in the United States as a preferred investment vehicle of corporate treasurers, insurance companies and central banks, is now available in a wide variety of currencies through Swiss Bank Corporation's Tri-Party Repo service. Tri-Party Repo gives you reward with virtually no risk since your cash investment is collateralised with high grade corporate or sovereign debt issues. In addition, repos may be custom-tailored to fit any maturity from one day to one year or any period in-between with all administrative duties handled by the Tri-Party custodian (Cedel or Euroclear) at no cost to the investor. Swiss Bank Corporation combines a cast-iron reputation for safety with the proven expertise to make repos work for you. To make the most of your cash, please call Christine Brown-Quinn or Mark Mazzonelli in London on (44) 71 - 711 2801.



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Antonia Sharpe examines foreign exchange risk

# ERM upset causes new anxieties

nothing of paying large premiums year after year to insure their factories or offices even if, so far, they have never burnt to the ground.

ing round to the idea of paying similar amounts to protect their earnings against events beyond their control, such as volatility in the foreign exchange markets.

European companies were starting to think that currency fluctuations were a thing of the past while the European exchange rate mechanism (ERM) was performing in line with their expectations.

However, the exit of sterling and the lira from the ERM in September 1992 and the virtual collapse of the system in August this year, when some currency bands were widened to 15 per cent, has sent many corporate treasurers back to the drawing board.

"Companies are now worrying more about foreign exchange risk than before the collapse of the ERM," says Mr Albert Maasland, the European head of foreign exchange sales and marketing at Chase Investment Bank in London.

While the ERM was running under its old format, companies were content to use the D-Mark as their main hedging currency against the other leading global trading currencles, since the German currency was effectively the proxy for all the other European cur-

But after the ERM bands widened, this was no longer the case and companies could not take it for granted that the ERM would provide them with adequate protection. Consequently, they are having to hedge themselves against a far

bigger number of currencles. This has led to a big increase in the trading volume between the leading world currencies and the less active European currencies. For example, trading in the yen against the Belgian franc has increased substantially in the last few

TREASURY

The improved volume is actually working in favour of liquidity in such currency crosses has improved pricing and the execution of larger

In addition, now that the ERM no longer provides blan-ket protection against a wide range of currencies, banks have developed various derivative products which are

designed to do just that. Bankers report that volume in derivative products has dramatically, because corporate treasurers agree that it is probably more

actively in the emerging mar kets, especially in Asia. Bankers say there is active two-way business in this area, because companies in the emerging markets are also keen to use derivatives to hedge them-

Even companies that only do business in their domestic market are increasingly exposed to fluctuations in the foreign exchange market following the

UK companies were among the first to become aware of the indirect danger to their earnings, shortly after sterling started to fall against other European currencies

Now that the ERM no longer provides blanket protection against a wide range of currencies, banks have developed derivative products

dangerous to do nothing about a currency exposure than to devise appropriate hedging

In addition, there is a consensus that the heavy currency-related losses suffered by Allied-Lyons, Shell and Adam and Co, the private bank since taken over by Royal Bank of Scotland, highlighted the inadequate controls at those companies and not that the hedging instruments were at fault.

These derivative products. which tend to be traded more actively over the counter than exchanges, can be taiior-made to each company's individual needs. Their main attraction is that they offer companies a cheaper and more efficient way to hedge themselves against several curren-

One product which is becoming increasingly popular is the "basket" option, which has been used for many years in the equity markets. It has since been developed to provide a lower-cost hedge for multiple currency exposures against one or more "base" currencles.

Such products are also being used by European companies which are trading more

Although sterling's depreciation was seen as a godsend for the country's exporters, it has created a series of problems for companies in the domestic sec-

Mr Les Halpin, managing director of Record Treasury Management, a UK company which advises corporate clients on how to manage currency risk, gives the example of confectionery manufacturers who are having to pay far more for their raw material, sugar.

The intervention price of sugar in the European Community is denominated in the European currency unit (Ecu). Sterling's fall against the Ecu. combined with changes in the EC's agro-monetary regime, resulted in UK confectionery manufacturers having to pay more for their sugar.

However, they were unable to pass on their higher raw material costs to their customers, because of the pricing war among the various supermarkets. Their profit margins suffered as a result. These companies suddenly

woke up to the fact that they faced foreign exchange risks even though they were totally focused on the UK domestic

CAPITAL

market," says Mr Halpin. One solution offered to a company in this situation was to undertake a series of foreign exchange deals, whereby it would be short of sterling when the currency was going down and be in a neutral position when sterling was going

up.
"By using straightforward financial instruments these, companies can create a suit-able risk profile," says Mr Hal-

Some manufacturing companies that export their products neutralise any competitive disadvantages resulting from foreign exchange fluctuations by buying parts for their products in the countries of their principal rivals.

For example, a UK car company is known to buy German gear boxes, one of the most so that it can compete on a more equal footing with German car companies both at home and in the export mar-

Companies which have been doing business in many countries for decades have not been greatly affected by the turmoil in the ERM, because they have been structured in such a way as to minimise the impact of foreign-exchange movements on their earnings.

For example, BAT Industries, the Anglo-American tobacco insurance group, has decentralised its operations, to enable most currency transactions to be handled locally.

"BAT tends to be fairly large in the local economies, so we have the ability to take quality decisions locally," says Mr Richard Desmond, the group's corporate treasurer. "As a result, our exposures are not

However, BAT also has a centralised "netting" process, so that its foreign subsidiaries can set off any currency expo-sures which they might have against one another. "We have an information system which lets us know exactly what the general exposures are in the group," says Mr Desmond.

BAT's non-remitted profits are not hedged, since they are kept by the local companies to build up their asset base. However, cashflows to the centre are managed actively by BAT's in-house treasury team of five professionals. BAT uses an average rate to translate foreign exchange earnings, but also uses options strategies to help reduce risk.

Robert Alidis discusses new approaches to commodity risk

# Swaps gain popularity with users and producers

COMMODITY SWAPS have been with us for nearly 20 years. But until three years ago, few raw material consumers or producers were actively using swaps to hedge their exposure to changes in commodity prices.

Today, the interest in commodity swaps is rapidly gaining momentum, but there is still some way to go before this interest is turned into wide-

is still small. The International Swaps and Derivatives Association (Isda), in its first analysis of commodity swaps, reckons they were worth, at the end of 1992 in notional principal terms of those outstanding. \$18bn - and of those, only \$3bn were non-energy swaps. But the market for total interestrate swaps in the same period was far larger - valued at \$3,850bn, with currency swaps worth \$860bn. Still, having come from nothing a few years ago, the growth in use of commodity swaps is significant: they are a useful cost-effective and tailor-made vehicle, for users and producers of raw

In the swap, the commodity consumer normally pays fixed and the producer floating, protecting the latter from any drop in the commodity's price. Usually, only payment streams are exchanged, rather than physical delivery taking place. And as the swap is tailored to the particular commodities being used/produced, the basis risk of using an imperfect sub-stitute, say for jet fuel, when dging in the futures market, is eliminated. But this still does not answer the main reason why the rise in the total value of the commodity swap market has happened now. ■ Price factor: Base metal prices have hit six-year lows in

cash price for copper currently trades at around \$1,675 a tonne, near its six-year low when it touched \$1,571. And

spread use.
The total value of deals done nickel is also at levels not seen since June 1987, when it traded at \$4,451 a tonne (currently,

materials to manage their exposure to price risk of an individual commodity.

recent months; this has put a limit on downside risk. The

exchange-traded options. And,

want to capture contango to lock in at current price levels. ■ Understanding: Corporate treasurers are becoming increasingly familiar with the their interest rate and currency exposures. A survey by Greenwich Associates, a Bos-ton-based business strategy consultancy, found that 52 per cent of European and Middle Eastern institutions in early 1993 were hedging their currency exposure by using forwards of less than one year, and that 39 per cent used nondollar interest rate futures or

says Mr Per Sekse, vice-presi-

The more exotic commodity swaps have tended to be used by heavy energy users to hedge their fuel costs

nickel is trading around \$4,675 dent responsible for commodity derivatives marketing in a tonne).

depressed, there is a fair chance that their next move will be up. "If I were a consumer, I would fix prices now as prices are so low. But if something happens, these prices would go higher quicker than you know it - that's why we're seeing such a lot of activity," says Robert Miller, vice-president of commodity risk management at Chase Manhattan Bank in London. And since commodity prices have a habit of being highly volatile (acutely felt during the

Gulf war), it is good time for

raw material consumers who

Europe for Chemical Bank, London, corporate treasurers seem increasingly willing to deal over-the-counter with the investment banks, rather than run their own hedging operations. The banks can also offer a wide range of tailor-made ser-

vices and structures, says Keith Murphy, vice-president and head of commodity derivatives at JP Morgan, London: They are looking at very customised products; such as indices or baskets of commodition of the very specific exposures that they have." The more exotic commodity

swaps on specific pipelines for natural gas and different grades of fuel oil. Also, by embedding options into the swap, he has been able make an even more attractive and Sexible product. But for wide spread use of the complex vehicles for all raw materials, a senior US investment banker says: "The derivatives industry will get there, embedding four or five different risks into the one vehicle. Within the next year or two you will see the But the derivatives boffins have never been short on inno-

swaps have tended to be used by heavy energy users to hedge their fuel costs. Ed

Speal, head of commodity

transactions at Banque Paribas

in New York, says he has done

vation. For most corporates, however, the plain vanilla structures remain the rule of thumb. And the majority of commodity swap vehicles tend to be settled against the monthly average price of the raw material. These Asian (or average-rate) products are particularly well suited to commodition

"If an airline is buying jet fuel every day for a year, it is not worried by the specific price of the fuel on a specific day, but is more concerned by its average price," explains Mr Miller. But in the currency markets, "as I know when apayment is coming in on a particular day, I am worried by the exchange rate on that par-

Continued on facing page

### Debt management

# Lower rates bring new problems

UK COMPANIES breathed a huge sigh of relief when interest rates started to come down late last year, but at the time only a few believed that rates would fall as far as they

One of the main advantages of a low interest rate environment is that companies have been able to make substantial savings by re-financing old, high-coupon

debt with cheaper debt. Investor demand long-dated paper has also enabled companies to extend the maturity of their debt profiles. By issuing long-dated and redeeming short-dated debt, many companies have achieved an average life for their debt of more than five years at the lowest interest rates in 20

At the same time, the lack of supply of corporate debt, especially in the UK bond market where demand has been great, has resulted in a dramatic tightening in the spread on such paper, that is, the premium which issuers have to pay above the yield on government bonds.

Many companies have also shifted the balance of their fixed-rate and floating-rate debt in favour of floating-rate debt, in order to make the most of further falls in interest

Although the benefits to companies of lower interest cannot under-estimated, the sheer pace of the fall in rates has created a new series of problems for company treasurers to solve.

Companies which find themselves in the most difficult position are those with a high proportion of their debt fixed at a rate well above the current interest rate.

Since they are having to pay more than the market rate to service their debt, this places them at a competitive disadvantage to their rivals who have a far greater proportion of their debt with a floating or market rate. Each time rates fall, the competitive disadvantage becomes greater. "It hurts to admit that you

are paying well above the going interest rate for your debt," says a banker at a leading investment bank. As a result, banks are noticing a rise in demand from

companies for derivative products that enable them to cut the cost of servicing their fixed-rate debt, says Mr Paul Ward, director in the fixed-income department at Salomon Brothers in London. The derivative product designed to help companies in

this situation is called an "interest-rate swap". Using this structure, the company enters agreement counterparty, usually the derivatives unit of an stment bank, to swap the fixed rate on its debt for a

It is likely that the company will end up having to pay a substantial margin above the London interbank offered rate (Libor), because of current market conditions.

However, it will reap the benefit of the swap when Libor falls, because its interest costs will decline accordingly. Had the company decided to stay with fixed-rate debt, its borrowing costs would have remained the same.

Falling interest rates also harm companies which relied on the interest income generated by their cash mountains during the period of interest "Corporates do not usually buy protection against falling at Chase Manhatten Bank in

London. One solution for a company in this situation would be to enter a swap which allows it

end up receiving a fixed rate

it pays a floating rate to the counterparty. This is effectively the reverse of the swap taken out by a company looking for a solution to its fixed-rate debt problem. Mr Ferrazzi says that

on its cash mountain. In return

another way that a company can insure itself against failing interest rates is to buy a "floor" or a minimum interest rate, which it will continue to. receive on its cash even if rates go below the level specified by the floor.

Alternatively, the company can sell a "cap" or a maximum interest rate against its cash, whereby it gives up any potential returns above the cap in return for a fee.

an efficient way to adjust the fixed-rate/floating-rate split of their debt portfolio depending on the trend in interest rates. Mr Arthur Burgess, group treasurer at British Gas, says that British Gas aims to have

fixed rate and one-quarter in floating rate, but that the split can very to half-and-half depending on the company's view on interest rates. use the swaps market to switch from fixed to floating, Derivatives are becoming an

increasingly important part of s company's strategy to manage debt. Indeed, a recent court decision in the US has potentially opened the door for directors to be sued for falling to use derivatives to protect their companies against volatility in the financial

The indiana court of appeals (Brane v Roth) held that the co-operative had been negligent in not considering the possibility of hedging their pany's grain holdings by

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### Commodity swaps

Continued from facing page

ticular day." Average priced swaps account for virtually all the energy swaps Mr Miller does, and around 75 per cent of metal swaps.

Depth and maturity: As the number of banks involved and the amounts of swaps outstanding increase, liquidity in commodity swaps has risen and generally spreads have narrowed. And with higher liquidity in the market, longer-dated vehicles are now being seen.

"Commodity hedges on the exchanges a couple of years ago were only going out three to six months forward. Now, in the OTC market, hedges are extending one, two and three years forward and beyond, which has had a fundamental impact on the forward curve," says Mr Murphy, at J P Morgan.

A strong and active domestic futures market is also important for the banks to lay off their own counterparty risk "A liquid futures market is not essential to structure a commodity hedge. But if we move away from products that don't have a good underlying futures market, then we get into basis risk, and our prices have to reflect this," says Mr Sekse, at Chemical Bank. And if there are options on the future, he/ she can buy and sell volatility and do his/har own delta hedging without fear of getting squeezed. But even though commodity swaps can provide a relatively cost-effective and flexible method to bedge raw material prices, some corporates are still wary.

For example, Mr Sekse advised photographic film manufacturers on the benefits of hedging the silver price when prices were low. But as soon as prices picked up, they quickly saw the new levels as unsustainable and backed-off the hedge, expecting the next move

Mr Sekse had more success with frozen orange juice swaps used by fruit juice processing companies. The juice processors locked in at a rate of just under \$1.00 a lb earlier this year, against a price now of around \$1.30 a lb. But some of take profits, despite having

A NEW accounting rule that comes into effect in January in the US will require banks and corporate treasurers to take a closer look at securities held in portfolio, and account for them according to the institution's long-term investment inten-

The rule is expected to shift a large number of debt securities out of the historical amortised cost basis accounting into market value. Many capital-sensitive companies, particularly banks, are already shuffling portfolios in response to the rule, trading off potentially volatile long-dated debt in favour of short-dated securities.

The concern over bond price volatility is considerable, since the Federal Reserve Board in August grudgingly decided to follow up on the accounting rule, known as Federal Accounting Standards Board statement 115, by requiring banks to adjust their equity capital to reflect unrealised gains or losses for securities they hold for sale.

FASB 115 establishes three classes of debt securities. Securities that are to be held to maturity can continue to be reported at amortised cost. However, if the institution believes the security might be

T IS not only penaloners that

when interest rates are low.

Companies with large cash bal-

ances are finding interest forome squeezed, and face pres-sure to either make cash work

suffer a drop in income

CORPORATE TREASURY MANAGEMENT III

# New US rules will shake up securities accounting, reports Laurie Morse

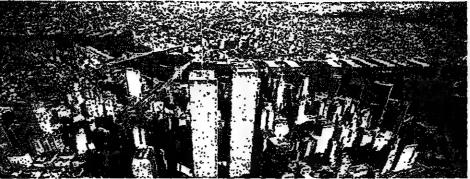
Banks may be over-estimating the effect - say, to create liquidity to the security must be classified as "available for sale," and be valued at the market on a quarterly basis, with unrealised

gains and losses affecting the

Institution's equity position. Securities held for trading purposes, the third category, are reported at market, with unrealised gains and losses going straight to the income

Bankers say that many securitles traditionally considered as held to maturity will shift to the "available for sale" category, because the rule discourages the sale of a security classed as held for maturity. The rule says transfers between classifications must be rare and unusual, and any transfers must be accounted for as a sale and repurchase at

In addition, because FSBR 115 is asymmetrical, and deals only with the asset side of an



institution's balance sheet, a security must be classed as "available for sale" if its price risk is hedged, or if it might be sold to implement an asset-liability management strategy.

A sizeable amount of long-term debt that had been safely amortised under the investment category will soon market, which bank managers say will have near-term and

The current environment of appreciating stocks in the US should benefit a bank's capital position when the initial market valuation occurs. "Almost anyone who's holding a long bond has a profit in it these days," notes one institutional money manager. As a result,

intermediate effects on capital.

mark-downs.

However, the lofty levels of both the US bond and stock markets makes these profitable investments highly vulnerable to a market reversal, and introduces the very real risk of capital volatility. Bankers fear that depositors

and regulators who use capital as a measure of a bank's soundness will misinterpret marketbased capital swings. In fact, rules will force banks to manage their portfolios to avoid dramatic capital shifts, at the expense of profitability or managing interest rate risk.

The belief is well-founded. Bankers, when given the choice, invariably choose capital preservation over higher portfolio returns. A secondary concern for US banks is that a variety of regulatory actions, including the price of bank deposit insurance, is linked to an institution's capitalisation

"We're concerned that, by forcing capital to rise and fall, FASB's action could trigger a variety of unnecessary penal-ties and unwise business decisions," said Mr Donald Ogilvie, executive vice-president of the American Bankers Association In fact, the bank lobby could

be overestimating the effects of the new accounting rule. Many of the smallest US banks continue to act as traditional bankdeposits at higher rates than they pay depositors. If lending is the primary business, a bank's securities portfolio can rightly be classed as investment, and held to maturity, and avoid market valuation.

The nation's largest banks will also be prepared for the rule, with many intending to use derivatives to manage market risks and to adjust the maturities in their "held for

sale " securities. However, many managers are shortening debt maturities. Securities with maturities of four years or less can be put in the "held to maturity" category with more confidence than 30-year bond. In the "available for sale" bucket, a short-dated note is less exposed to a capital shock than a long bond.

One unexpected result of the accounting rule may be to shut traditionally long-term municipal borrowers off from their usual investors, and prevent communities from locking in historically low long-term inter

in communities where local banks are active buyers of municipal debt, the effect of these portfolio shifts could be to force municipalities to issue short-term debt to finance long-term projects.

Simon London explains how liquidity is monitored to ensure cash flow is in good health

few companies are expected

experience immediate equity

# In pursuit of yield as recession ends

harder or return the surplus to spent £350m buying-back its

Organisation of cash manage-Reuters' approach also ment within a company can demands close involvement of help to increase returns without tax planning in investment decisions. "We are always tryany change of investment strategy. Squeezing the most out by reducing working capital, cut-ting debtor days and stocks is ing to maximise the after-tax returns to shareholders. Invesan obvious place to start. As the tors measure us in terms of earnings per share, and that is how we judge ourselves," comeconomy pulls out of recession, though, the pressure will be in the opposite direction.

Bringing the surplus cash mented Mr Wood. But good housekeeping and

careful planning can only work resources of a group together in so far. The search for higher self-help strategy favoured by yield almost inevitably involves a greater degree of risk. As many local authorities found many companies.
"Centralised cash management produces the best returns out to their cost, deposits placed by concentrating expertise, increasing the size in which we with the Bank of Credit and Commerce International offered can deal and avoiding the posi-tion where idle cash balances higher returns than those placed with clearing banks for a are spread around the group," reason, in the light of the BCCI said Philip Wood, director of collapse, many companies have treasury at Rauters, which had tightened controls and do not

For Reuters, the threshold is normally set at a credit rating of single-A from one of the big rating agencies. This applies to swaps contracts and exposures other than deposits. Different types of exposure to each institution are added to give an aggregate exposure.

But credit ratings are not the only guide. Many company treasurers have been wary of buying mortgage-backed securities following the financial problems faced by National Home Loans, a prominent issuer. In fact, the credit quality of asset-backed bonds originated by NHL and others remained reassuringly stable through such problems. But prices fell as investors dged away from the market.
"It is partly a question of

self-protection. It is easier to go to the main board to justify huying plain-vanilla govern-

backed bonds, and most will react with suspicion," commented the treasurer of one large company.

Another way of chasing additional yield when short-term interest rates are low is to move into longer-maturity instruments. The 100-year bonds issued in the US by companies such as Coca-Cola are the most extreme examples, offering a yield comfortably above the benchmark 30-year US treasury

The danger is that very longdated instruments tend to be more sensitive to changes in interest rates and expectations of inflation than shorter maturity stocks. Credit risks may be no greater than short-dated paper, but the market risks can be difficult to manage.

The same might be said of investment in foreign currency

shareholders funds are denominated and earnings per share is measured. Others invest in currencies which are a broad match for their spread of underlying business, or which help off-set exposures to help smooth earnings per share.

Derivative financial instruments are used to help offset interest-rate or foreign-currency risks. The philosophical view of companies which prefer sterling-only investment, though, is into additional yield gained from the underlying invest-Reuters invests mainly in

sterling instruments. It aims for a compromise on interest-rate exposures by identifying a core cash position which is likely to be maintained for at least three years and locking into interest

tion is held in instruments of three years maturity, but interest-rate swaps are used to lock into rates of around three years. Cash outside the core is likely to fluctuate - with acquisitions or other corporate needs - and is treated separately.

neither short-term nor long-term interest rates are especially low in real terms. when measured against inflation. A real return on bank deposits of around 4 per cent represents a reasonable real yield by historic standards. Even so, low nominal interest

rates make it difficult for companies to justify holding cash which is unlikely to be channelled into productive investment. Most industrial companies demand a nominal return

machinery. Ronnie Hampel, ICTs chief executive, has said that an average return of 20 per cent through the economic cycle will be demanded of new investment in the chemicals business. Set against such stiff targets, holding excess cash can act as a drag on a company's rate of return on capital.

Reuters' decision to implement a share buy-back programme is a symptom of such pressure. Glaxo's decision to pay a higher than expected dividend this year also reflected the growth of its cash pile from £1.3bn to £1.8bn, despite spending £850m on research and development - and pres sure from investment institutions to stem the rising tide.

But Glazo has no immediate plans to return the bulk of its cash to shareholders. Cash-rich companies, such as GEC, equally show little enthusiasm for making a one-off payment Like other companies which face an uncertain trading environment, Glaxo argues that cash gives it the flexibility to react to a changing market. On that view, cash always has

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Solutions for Business

### CORPORATE TREASURY MANAGEMENT IV

Jonathan S. Schwarz discusses tax regimes' imperfections

Following at snail's pace

Peter Carty on banks' management of balance-sheet risk

Alcos provide an 'engine-room'

steps behind business innovation. While finanand marketed sophisticated and inventive financial instruments, tax systems have adapted at a

Comprehensive tax regimes for foreign exchange gains and ses and financial instruments designed to manage currency and interest rate risks are still in their infancy. As a result, tax authorities and payers alike struggle to adapt existing tax rules to these transactions Not only are results obtained

sequences of legitimate transactions are often uncertain. On the other hand, tax authorities are uneasy because of potential revenue losses arising out of the use of increasingly sophisticated and complex instruments.

The US has shown the way with tax legislation specifically on foreign currency transactions. The US Tax Reform Act of 1986 and subsequent amendments codified numerous aspects of foreign currency transactions. Regulations are used to clarify certain aspects of the taxation of a number of financial risk-management instruments, such as notional principal contracts including many hedging instruments.

Although London is one of the three key international financial centres, it is only in 1993 that

UK legislation codifying the taxation of financial risk manage ment transactions has appeared. There has thus been pressure on multinational corporate groups to move profitable treasury functions to tax-favoured loca tions such as the Dublin Docks

in the UK, tax on foreign-currency gains and losses has until now been taxed under general principles. The traditional discanital has caused numerous difficulties in this area. Revenue eceipt or expenses are included in computing taxable income. capital assets are determined

ing in the course of trade

in the 1993 Finance Act. The new law deals primarily

bilities

tary assets and liabilities. Gen-

erally, qualifying assets and lia-

convertible into equity, con-

tracts to acquire foreign cur-

itself. The rules which are con-

tained in more than 50 sections

provide that exchange differ-

ences on monetary items are to

be included in taxable profits on

a translation basis. They will

fall outside the capital gains

Currency contracts are sub-

lect to tax as if the currencies

were acquired when the con-

tions over the life of the agree-

ment in relation to sterling are

taxable or deductible.

Capital gains and losses are not recognised generally for tax purposes until realised. In addition, gains and losses arising in respect of capital habilities are outside the tax system. Transactions that fit together commercially may be awkwardly asymmetrical once tax has been taken into account.

Difficulties in relation to currency gains and losses have long been recognised. In 1989, the Inland Revenue issued a consultative document on the tax treatment of foreign exchange gains and losses. It proposed symmetry in taxing exchange gains and losses on the same basis with respect to timing methods and amounts. It tentatively proposed the abolition of

and income in respect of foreigndetermine the applicability of the new regime. Given the fact that a number of areas are still nge, gains and losses arisin March 1991, the Inland Revto be clarified by regulation and enue issued a further consulta tive document on the reform of these rules and the rules relating to financial instruments, it will be some time before its the tax treatment of currency gains and losses. This former the basis for measures included

impact can be fully assessed. There are few provisions under current UK tax law specifically dealing with financial instruments. The rules have been unco-ordinated and unfocused. Corporate users of financial insimments are found with different rules for traded futures and options, as opposed to othe futures and options for example Similarly, swaps with UK banks or swap traders are treated differently from any other swaps. In 1989, the Inland Revenue issued a consultative document on the taxation of financial instruments for managing interest rate risks. The document focused specifically on swaps. Then, current practice tended to discriminate against non-bank entities in the UK swap market.

Under the proposals, recurring

swap fees would be assimilated

to interest. Because swap pay-

est, other rules would apply such as thin capitalisation rules and treaty provisions dealing with intere

A further consultative document was issued by the Inland Revenue on financial instruments in 1991. The government objectives were to recommend how payments and receipts should be characterised for tax purposes, to include as many instruments as possible that are commonly used for managing interest-rate risk, and to provide rules for the timing of recognition of payments and receipts for tax purposes that are consistent with ordinary commercial accounting. Specific antiavoidance measures to protect

the Exchequer were proposed. These proposals are broadly enacted in new draft clauses, released on August 20 this year and are expected to be included in the next Finance Bill. The draft clauses are designed to dovetail with the new currency regime. It therefore amplies to companies, but excludes several entities taxed as companies, such as unit trusts and offshore funds. Special rules are provided

to market basis. This taxes payments and receipts in each accounting period and changes in the value of the underlying instrument over its life. Alter natively, an accrual basis method may be adopted. Payments and receipts under all swaps and financial hedging

nts are to be treated as income, and therefore deductible and taxable accordingly. Most instruments primarily

used for currency and interest rate risk management are covered. They include swaps and other instruments involving periodic payments which are either fixed or determined by reference to the application of an interest rate to a notional principal amount. These include interest-rate caps, collars and floors. There must be at least one receipt or payment determined by a variable interest rate. Single period instruments are also included. These include forward rate agreements, total est-rate futures and options, as well as currency futures and

Clearly, the Inland Revenue is suspicious that sophisticated financial instruments may be used to confer unintended tax benefits. As a result, several anti-avoidance provisions are

Withholding tax will apply to payments made by UK resident companies to parties in tax haven countries or in territories where there is no interest article

in an applicable tax treaty. It is ironic that, while the tax rules relating to instruments for the management of interest-rate risks have moved towards an accrual based system, the rules relating to the taxation of interest have not. The UK continue to apply the old-fashioned cash

number of key international issues remain unsolved. Although the UK has opted to treat payments on qualifying financial instruments as interest, it is uncles whether such payments will always be interest for tax treaty purposes. There is a strong body of opinion that the definition of interest for treaty purposes must follow the definitions in specific treaties. Payments under swaps, for example, are often classified as "other which commonly income." escapes taxation under many tax treaties. In some circumstances, they may also be

regarded as "business profits." which escape taxation in the absence of a permanent establishment. This will be of particniar importance in relation to those treaties where withholding tax on interest is not

ely eliminated. in the European Community, the Commission is arguing that the Parent Subsidiary directive be extended to interest payments. The directive eliminates withholding tax on dividends from companies at least 25 per cent owned by a parent in another member state. This would be a step forward, but would only solve the problem single market in financial instruments will not emerge in he EC until withholding tax harriers have been eliminated.

The risks of double taxation, or indeed double non-taxation, as a result of inconsistent categorisation of financial instruments, traps and opportunities arising from differences in timing of recognition of income and deduction and withholding tax problems continue. Transfer pri-cing will continue to be a cru-cial issue where centralised treasury functions are carried out for group companies in multiple

Innerthan S. Schwarz is editor of the Financial Times World Tax Report and a partner at Paisner & Co, City solicitors.

BALANCE SHEET risk is now commonly managed by banks and building societies through central committees. Though sometimes known as risk committees, or balance sheet management committees, the popular label is "the asset and management lia-

bility committee" - or Alco. Members represent each part of the balance sheet. The committee will often include the treasurer, the heads of lending and fund acquisition departments, the head of corporate planning and managers from

interrutional dividore. The main function is to maximise earnings through overall management of acquisition and allocation of funds. Strategy is laid down through monitoring asset and liability distributions and maturities, earnings margins and appraisal of liability and loan pricing policies across a bank's portfolio of businesses

Alcos originated in the 1980s in the US. Growth in financial markets was accompanied by an increase in the range and com-

plexity of financial products available. Risks consequently increased and new ways of takroomed. Banks realised that top-level management was required, hence the genesis of

The committee's remit typically extends to the setting of high-level limits, with board approval, in the key areas of interest-rate risk, currency risk, liquidity risk, equity price risk and settlement risk. In some banks country and industry, portfolio risk is also managed

Royal Bank of Scotland set up nised as a bank that we needed an engine-room to effectively manage the risk that was aris ing across the bank's business strategies,' says Mr Peter Hanion, head of group asset and hability management "It was to make sure that everybody put their group hats on, so to speak. rather than their divisional

by the committee.

As well as ensuring that divisional strategies result in a balance sheet that the group is comfortable with, RBS's Alco also acts as a communication conduit, educating different parts of the group on market and credit risk. The committee meets monthly and deals with high-level decisions. "It's not

concerned with housekeeping. says Mr Hanlon. Price Waterhouse partner, Mr Andrew Stott, is involved in setting up and advising on the running of asset and liability management units and the committees they report to. He estimates that three quarters of British banks and building societies now have an Alco, but hats." Up to then, the bank had doesn't think that this means a decentralised approach to risk asset and liability risks are nec-

with. "Just having an Alco doesn't mean that you're effective in managing your balance sheet," he warns.

A particular problem is undue influence of one part of a bank over the Alco. Ideally, the committee should be chaired by the chief executive, but this may not happen in practice. In parbuilding societies asset and liability risk management may be run from the treasury, due to the fact that the expertise required to analyse structural risk is often far more developed in treasury than other areas.

First Consulting recently conducted a survey of the operations of Alcos in 19 British banks and building societies. "There are people who say they are an Alco - they say they are looking at the whole balance sheet - but actually their conversations in their monthly meetings are predominantly about treasury issues," says First Consulting's Magnus

Treasuries are commonly geared to short-term structural risk, while the Alco needs to assess risk against a bank's long-term goals. "There could be conflicting risk strategies," says Mr Stott, at Price Waterhouse, He points out that clashes need not arise if the two functions are clearly separated within a treasury with clear individual objectives, but that this is

easier to ensure if personnel are within different divisions. A key issue for RBS's Alco is liability sourcing. For all banks, duced outflows from customer accounts. RBS has a policy of moving towards more stable retail deposits, and the Alco aims to provide incentives for the process and speed it up.

The TSB has been running its Alco - known by the less catchy title of group balance sheet management committee" - for around five years in its current form, and has devised strategies for tackling the same problem. "You're looking to put on hasically more fixed morigages and more personal loans," explains Mr John Ashenhurst, director of TSB's group balance sheet management unit and secretary of the UK Asset and Lia-

One approach is to vary price sensitivity from account to

account, and for interest-rate tiers within accounts. "The old way was that you said that everything was either sensitive or insensitive. What we're saying is that it might be sensitive today, but it may not be tomorrow," says Mr Ashenburst.

Changes in rates alter structural risk and policy. "If interest. rates go up, you will probably have to reprice the liabilities so that they won't be exposed," says Mr Ashenhurst. "It's timing and getting it right that is the main issue."

A keting of fixed-rate mort-gages and personal loans, TSB is hedging the exposure from low-interest rate tiers in customers' accounts by investments in gilts and swaps. Moves by depositors into equities inevitably means that banks are looking to the interbank market for funds. This changes the balance sheet's risk profile, notably for liquidity risk, and presents Alcos with another set of policy

A battery of instruments are available to banks for redistribution of risk. "Depending on their expectations, they could ose interest rate derivatives, for example," explains Andrew

Mone

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A key function of the Alco is the co-ordination of competing demands by a bank's different operating units for a share of the balance sheet. Return on capital, adjusted for the various kinds of risk, is a fundamental performance indicator, "You nvest your capital in the highest performing business units, explains Peter Hanlon. "It's an incremental approach based on

An important back-up to the Alco is the data provided by a balanca sheat aimnistion model The effects of different capital allocation strategies and of the use of new products can be predicted. Developed in the US, they have been widely purchased by UK banks and building societies. "It gives you a dynamic dimension to your balance sheet;" says Mr Hanion.

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By Terry Byland, UK Stock Market Editor

A STRONG warning against optimism on domestic interest rates from the chancellor of the exchequer failed to depress UK equities for long yesterday. The early part of the session saw some selling and the stock market was also upset by the temporary closure of the London International Financial Futures Exchange (Liffe) because of a fire scare. But shares rallied strongly just before the close when both sterling and government bonds appeared to steady from their early worries over base rates.

However, traders stressed that sluggish trading volume presented the chief characteristic of the first session of the new equity trading account. Equity business was about 41 per cent down from Friday's level and most significant share price movements reflected individual company concerns rather than across the board investment pressures from the big fund management houses

Shares reacted quickly to the UK chancellor's comment, on a Sunday morning television programme, that he saw no need or a base rate cut at present His remarks provided a discouraging backcloth to the stock market's interpretation of the latest predictions in the City of the likely content of

ade

the UK Budget to be presented at the end of the month.

At its worst the FT-SE 100 Index was down 23.1 to just under 3,148 and remained subdued for most of the session. But at the very end of the trading day, it bounced smartly to close at 3,164.4, with the day's loss trimmed to only 6.6 points. At 3,520.5, the FT-SE Mid 250 Index was off 7.6 points as the second line stocks were largely

left on the sidelines.

The weakest sector was again the pharmaceuticals. where last week's reaction to Wellcome's results continued to drag down share prices. Losses among retail shares, the most closely linked to base rate prospects, were minimal by the close of business. The market is expected to focus on the latest leading indi-

TRADING VOLUME IN MAJOR STOCKS

Volume Clearing Day's COS's Pota change

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cators on the US economy, due

today, for evidence that the American economy is continuing to grow more strongly. The US booms, while Europe shimps." commented the economics team at Yamaichi.

Data on the British economy is limited this week but London analysts will be scrutinising the list of statistics from Germany. Little is expected from the Bundesbank council meeting on Thursday, and

news of a further fall in manufacturing output and a rise in unemployment are feared.

FT-SE 100

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Seag volume fell to only 465.5m shares, from 900.9m on Friday, when retail worth of £1.63bn indicated the continued underlying strength in equities.

Dealers ascribed the fall-off in business to a pause in activity by managers of the multinational funds prompted by holiday closures yesterday in several continental European financial centres.

There was also some caution ahead of publication today of the Bank of England's Quarterly Bulletin which, some analysts fear, may express further concern that inflation prospects are deteriorating. This would add further uncertainty to the equation over prospects for both base rate cuts and tax increases in this month's Budget. "Room for manoeuvre on rate cuts without a tight Budget is fast disappearing," commented Mr Kevin Adams, UK bond strate-

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### Vodafone nears record

THE BEST individual performance in the FT-SE 100 Index came from Vodefone, the cellular telephones group, which jumped 25, or 4 per cent; to 578p, within a penny of the stock's all-time high. The move followed the announcement of the group's highest ever monthly new subscriber

Telecoms analysis were not surprised by the new gross subscriber levels, which they said were triggered by the keting efforts by both of the UK cellular phone groups, Vodafons and BT. One leading telecoms analyst described Vodafone's new numbers as "extremely pleasing, even more so because two-thirds of the gross increase has come from the more burning ness subscriber tariff". .-

Mr Marshall Whiting, telecoms specialist at Swiss Bank Corporation and a long-term bull of Vodafone, said: "The cellular market remains good value and Vodafone will participate in its growth." shares peaked at the end of August when a wave of US money moved into the UK market focusing on the then current American favourites such as Vodafone and Reuters.

### BT wanted

The spotlight was turned on BT shares at the outset of trad-

### **NEW HIGHS AND** LOWS FOR 1993

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ing as the market reacted firstly, and crucially, to news of a significant price war initiative whereby BT intends cut-

ting the cost of weekend calls. Secondly, dealer were keen to see the reaction of the big institutions to a story in the weekend press suggesting that BT was stalking Thorn EMI with a view to a potential takeover of the latter. The Thorn story was immediately disregarded by market spalvals .-"the first I have beard of it and an unlikely tie-up," was the

view of one top-rated specialist. The price-cutting initiative was not viewed as damaging by telecoms and general market analysis, who continued to view BT as one of the market's best defensive stocks.

BT is scheduled to report Thursday. NatWest Securities is forecasting a 2.75 per cent increase in the interim dividend to 8.75p and for profits to come out at £715m - up 66 per cent from the comparable fig-the last year - to make first-half prefits of \$1.472bm. At the close of trading, BT Shares were 3% higher at

485% p on relatively low man-over of 4.8m, while the partlypant were 1% firmer at 214%p.

### Wellcome slides

Anxiety in the drugs sector, triggered last week by Wellcome's results, continued to pull stocks lower. Few investors came to the rescue of pharmaceuticals and shares slipped almost across the board

The flagging sentiment was not helped by Kleinwort Benson's move from overweight to neutral on the sector and a shift from buy to a hold on Glaxo. Its shares fell back 81/4 to 674p, while Fisous gave up 2 to 159p, Zeneca 17 to 756p and SmithKline Beecham "A" 7 to 413p. Wellcome lost 15 to 675p,

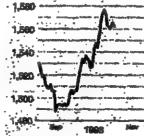
with 25m shares traded. But as bearish stances hardened across the sector, one analyst stood out to say that the profit-taking on the stocks had been something of an overreaction. He said the harsher climate that gripped pharma-ceuticals should lead to lower expectations of growth, and therefore Wellcome's figures should not be seen as extremely as the market had done. "The sector has turned the corner but the fundamentals are just not as good as they used to be." He also pointed to Wellcome's yield and suggested that that would soon prove to be a pull for

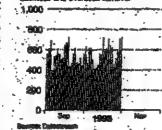
investors.

BP's rehabilitation continued yesterday, the shares creeping up a further 3 to 352%p - their highest closing level since October 17, 1991, ahead of next Thursday's third-quarter numbers. "No-one wants to be short of BP, which is now seen as well set on the road to recovery," said one analyst. BP shares slumped to a

record low of 185%p in August 1992, after the group cut its dividend The leisure sector was enlivened by a number of features

which acted to keep most of





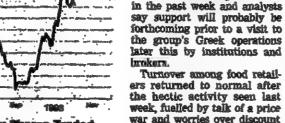
the stocks in positive territory. Thorn EMI surged on weekend press comment on the bright outlook for the multi-media market, with interesting hints on the prospects for mergers and takeovers - BT notwithstanding. Thorn shares added 16 at 847p, albeit in dull turn-over of a short million.

An announcement from Stanley Leisure that trading in its cesinos and betting shops was "considerably ahead" for the first six months of the current year over the same period a year ago lifted the shares and impacted on related stocks. Stanley made the revelation along with the purchase of a regional betting group for 26m. The shares moved ahead 20 to

Stanley's good news helped Rank Organisation, which gained 6 at 847p. Bass, owner of the Coral Racing chain, put on 2 at 490p. The group also announced it was buying a stake in the Czech Republic's second largest brewer. Ladbroke, however, remained friendless, down a penny at

172p.
The duliness in Ladbroke was also connected with the continuing revelations over the full of Queens Most Houses, which kept hotel stocks under a cloud, among which Forte lost 2% to 219p. Compass rose 5 to 570p as it announced a deal with Burger King.

### After last week's rally, Guinness slipped a penny to 434p. Two US-owned brokers have been recommending the stock in the past week and analysts say support will probably be



operators. NatWest Securities in its latest research note, adopted a "neutral" stance on the sector and said J Sainsbury, forward a half-penny to 396p, Asda, steady at 54p, and Kwik Save, off a penny at 641p, held good value. The broker downgraded Argyll Group and went from "buy The shares eased 3% to 292%p. In a weak food manufacturing sector, Unilever's good run continued, the shares up 15 to 1166p. Strauss Turnbull was again recommending the shares. Agency broker James Capel was said to be behind

ing division was blamed by Cranswick for a profits warning which sent the shares plunging 32 to 159p. Buoyed by US support and interest sparked from well-publicised reappraisals of the Glober futures trading system,

the rise in Tate and Lyle, up 5

at 387p. Trouble in its pig rear-

Reuters moved up strongly recording a rise of 28 to 1662p. Fears over the possible impo-sition of VAT on newspapers in this month's Budget contin-ued to nibble away at the price of publishing stocks. Telegraph shares suffered additional nervousness ahead of third quarter figures due in two weeks and the price fell 5 to 677p. United Newspapers gave up 3 to 539p, News International 2 to 293p and Mirror Group a

penny to 160p. Standard Chartered jumped 13 to 107ip, an all-time high, with marketmakers citing Continental buying interest, which uncovered a stock-shortage, as responsible for the strong rise in the shares. Hong Kong's latest upsurge also accounted for some of the rise.

SG Warburg was the outstanding pereformer in mer-chant banks as expecations of bumper interim profits saw the shares climb 6 more to 930p. after a roord 932p.

Legal & General fell to 511b.

### MINANCIAL TIMES EQUITY INDICES \* High \* Low Now 1 Det 20 Det 20 Oct 27 Oct 26 390 Chillmay stane Ord, div. yield Earning yid % fall PFE raylo not Gold Milnes For 1903. Ordinary of Gold Milnes index nin disals Ordinary share 2392.1 3.87 4.48 27.85 2392.1 2396.0 3.87 3.87 4.48 4.48 27.95 25.07 25.90 25.88 224.8 225.5 20(3.5 2383.6 1.85 1.80 4.30 4.31 23.00 27.90 25.82 25.73 22(3.5 221.3 2134.7 5.25 4.47 19.40 16.14 60.8 1884.1 4.50 6.50 19.62 16.13 73.2 2014.2 4.52 6.38 36.30 26.14 249.2 2361.5 3.89 4.51 27.93 25.76 218.8

Opin 9.60 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High 2367.5 7365.6 7364.5 7364.8 7362.8 7362.8 7362.7 7265.4 2367.2 7267.5 7379.8 Oct 29 04.28 Oct 27 Det 76 36,032 1636.2 40,551 25,430 1840.5 29,099 1287.3 25,404 30,661 SEAD Bargains
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# EQUITY FUTURES AND OPTIONS TRADING

THE chancelior's dampening of interest rate cut hopes permeated through the Pootsie futures sector during yesterday morning, although later trading brought a recovery which limited the final damage, writes Christine Buckley. With fears also circulating over taxation moves on pension funds, the December con-

tract on the FT-SE 100 was

quick to fall back after opening at 3,179 - the day's high. Midway through the contract's morning slide there was a fire scare at the Landon International Financial Futures Exchange. But the evacuation of the trading floor for about half an hour was said to have had little effect on the day's dealing. As traders contended with a

background of gloom provided by poor short sterling and gilts markets, the low of the day came just before lunchtime. Selling, said to have been mainly driven by independent traders, pushed the December contract down to 3,151. But a bouncy Wall Street added a little vigour to the afternoon and a convincing rally was mustered.

December finished at 3,171, nearly two points ahead of its fair value premium to the cash market. The premium now stands at about 8 points. At

8,934 lots, volume was steady. Traded options were quiet, with index options accounting for a substantial chunk of the action. Total volume was 25,552 contracts, with 9,816 dealt in the FT-SE 100 option.

before settling a net 9 off at 516p, alibeit in thin trading of only 843,000 shares, amid persistent worries about Lautro's investigations into the indus-

Hopes that British Aerospace will gain a satisfactory outcome from its crisis talks with the Taiwan authorities this week helped the shares forward 8 to 434p.

Steel group ASW saw its shares tumble after issuing a down at 147p.

Christopher Price,

M Other statistics, Page 27

Pittencrief jumped 31 more to 436p, still boosted by revaluations of its US telecoms inter-

profits warning. They closed 41 MARKET REPORTERS: Steve Thompson,

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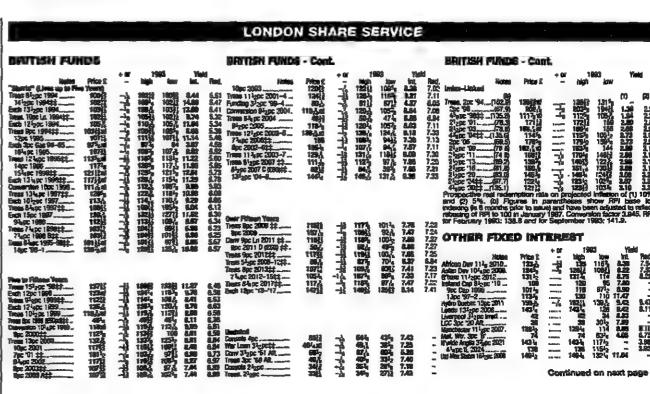
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### CROSSWORD

No.8,295 Set by HIGHLANDER

DOWN ACROSS Business people admit zero progress made (4,2)
 Check show in cinema (6) 1 Special wool calls for nothing more than money up front (8) 5 Agitated butcher has no 3 Damp one separates more than half (5) 4 Traditional drink: mostly

time for sweet-looking child 9 Damage fastener with an ensuing paste (8) French (4.3) 10 Loses out parking in the ture (4.5)

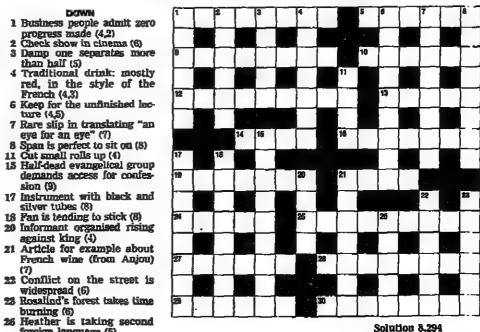
12 Practise too much in obvious bad weather (9)
13 Franciscan provides religious teaching in distant setting (5) 14 Willing to gamble with wild

animals (4) 16 Counter cleared, allegedly for drinks dispenser (7)
19 Stomach out of order - bad sign (?) 21 Each movement produces

pain (4)
24 Spies for aristocrats (5)
25 List of people with pistol turned over to controller (9) 27 Please refer to auditor's summary (6) Regular tendency in latter

part of day (8) 29 Smooth and glossy-looking: Rowland is after it (6) 30 lt's fresh in the sea at

JOTTER PAD



eye for an eye" (7)

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FINANCIAL FUTUR

# Boost for dollar and pound

WELL-RECEIVED data suggesting a pick up in manufacturing activity in the US gave a lift to the dollar yesterday. Dollar strength helped sterling which also received an initial boost from comments on interest rates by the UK chancellor writes Peter John

writes raves by the UK chancellor writes Peter John.
With many European financial markets closed for the All Saints' Day holiday, the dollar continued a rally that began on Friday and carried on during Tokyo trading.

The US currency was firmer against the yen in Tokyo in spite of comments from Mr Fred Bergsten, a US economist visiting Japan who said it needed to stay below Y110 to the yen in order to reduce Japan's large external trade

In European trading, the dol-lar was helped by the latest index from the National Association of Purchasing Managers for October which reflects optimism over manufacturing activity. The index rose to 53.8 per cent against an expectation of around 51.8 per cent and a previous figure of 49.7 per cent. The latest data on US construction also encouraged the mar-

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a very negative forecast on the dollar changed his estimate for the dollar's floor against the D-Mark to DM1.8750 in the short-term from DML.56 previously. But he still believes it will be back to DM1.60 by the	aga of Clar his gov Eng
end of the year.	cut

The dollar came very close to DM1.70 yesterday, its highest point since August. At that level many investors were tak-ing their profit on the big rally of the past two weeks and mov-ing funds into sterling and yen. There was also nervousness that the Bundesbank might be selling the US currency.

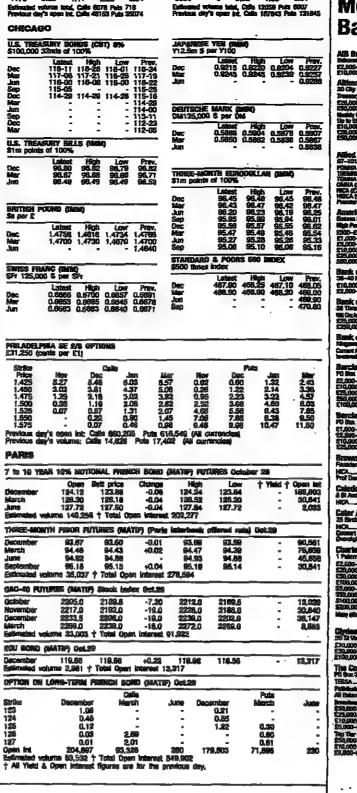
At the close of European trading, the dollar reached \$1.4810 against sterling, up from \$1.4865 previously but Y108.20 to the yen, down from Y108.40. It maintained its strength against a D-Mark weakened by the Bundesbank's recent interest rate cuts and closed up at DM1.6935, from

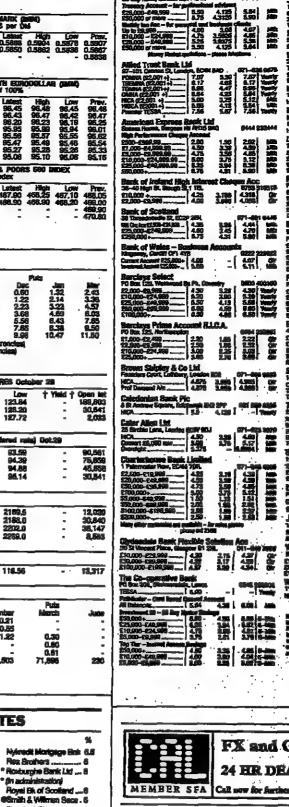
One dealer said belief sterling had broken throug a new chart-bound range push it higher still. "If it s above DM2.50 for more tha hours the technical boys DM.1.6795 on Friday. move and we could see it Sterling also lifted smartly DM2.55."

EMS EUROPEAN CURRENCY UNIT RATES											
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the against the D-Mark at the start for of trading as Mr Kenneth	112 1-59 2-24 0-13 1-24 113 1-12 1-52 0-30 1-52 114 0-41 1-23 0-58 2-23	9525 0.39 0.80 9550 0.16 0.56 9575 0.03 0.34
the Clarke, the chancellor, added	115 0-19 0-83 1-37 2-63	9800 0.01 0.16 0 9825 0 0.07
the his voice to attempts by the revi-governor of the Bank of	117 0-03 0-31 3-21 4-31 116 0-01 0-21 4-19 5-21 Sationaled volume total, Calls Sationaled volume	9650 G 0.03 9675 D 0.01
s it England on Friday to dampen the speculation of an early rate	Previous day's open int. Cales 96385 Puts 57345	Estimated volume total, Calle Q I Previous day's open ist. Calls 197
cut.	LIFFE EUROBUSK OPTICKS	LETE ITALIAN GOVE, BOND (BT OPTIONS Use 200m
se to The pound broke through hest DM3.50 for the first time since	Strike Calls-settlements Puts-settlements Price Dec Mar Dec Mar	Strike Calls-settlements F Price Dec Mar
that the end of August and the tak- index which shows sterling	9325 0.55 1.21 0 0 9350 0.32 0.97 0.02 0.01	1140 1.90 2.81 ( 1145 1.54 2.51 (
ally against a basket of leading cur- nov-rencies rose to 81.1 before clos-	9375 0.13 0.73 0.08 0.02 9400 0.04 0.51 0.24 0.05 9425 0.02 0.32 0.47 0.11 9450 0.01 0.18 0.71 0.22	1150 1.23 2.25 ( 1155 0.94 1.97 ( 1180 0.71 1.74
yen. ing marginally firmer at 80.9.	9450 0.01 0.18 0.71 0.22 9475 0 0.10 0.95 0.39 9500 0 0.05 1.20 0.59	1165 0.51 1.47 1 1170 0.37 1.28 1 1175 0.25 1.11
ness Gains were pared back at t be midday but then the pound	Estimated volume total, Catte 700 Pyrs 400 Previous day's open int. Catte 227936 Puts 115536	Estimated volume total, Calls 607 Previous day's open int. Calls 481
picked up in the afternoon as ean investors switched out of the	LONDON (LIFFE)	CHICAGO
hed dollar. Sterling closed a pfen-	9% NOTIONAL BRITISH GR.T SGU,000 32nds of 100%	U.S. TREASURY BONDS (CE \$100,000 32nds of 100%
up nig higher on the day at but DM2.5075.	Close High Low Prev. Dec 113-23 113-25 113-16 114-03 Mar 113-00 112-30 112-28 113-11	Dec 118-11 118-28 Mar 117-06 117-21
rom One dealer said belief that its sterling had broken through to	Estimated volume 35007 (64318) Provious day's open int. 114055 (115343)	Jun 175-00 175-08
ark a new chart-bound range could ak's push it higher still. "If it stays	6% NUTIONAL GERMAN 69VT. BOND *	Sep 115-05 - Dec 114-29 114-29 Mar
and above DM2.50 for more than 24	Close High Low Prev. Dec 99.88 100.14 99.84 100.10	Sep Dec
rom hours the technical boys will move and we could see it hit	Mar 100.00 100.18 99.99 100.21     Estimated volume 42834 (77374)	U.S. TREASURY BILLS (HIN)
rtly DM2.55."	Provious day's open int. 179888 (181970)	\$1m points of 100%
	BORO (BORL) DH250,000 100ths of 100% *	Dec 96.80 96.62 Mar 96.87 96.88
CURRENCY UNIT RATES	Pec 102.42 102.47 102.40 102.48	Jan 98.49 98.49
Bounts from us Weekest Divergence lest Eco Central us Weekest ledicator:	Estimated volume 376 (3319) Previous day's open int. 22449 (22091)	BRITISH POUND (DANG)
iov 1 Rate Carlos 17	6% NUTIONAL LONG TERM JAPANESE GOVT. 8000 Y100m 1080m of 100%	Se per £ Labest High
(.912)7	Close High Low Dec 114.73 114.82 114.68 Mar 113.96	Dec 1.4758 1.4618 Mar 1.4700 1.4730 Jun
810949 0.27 3.18 -2 197.784 2.25 1.19 -18 1.70348 2.52 0.92 -81	Estimated volume 1524 (1978) Traded exclusively on APT	SWISS FRANC (BING)
97.194 2.25 1.19 -18 1.70348 2.52 0.82 -11 1.5107 3.23 0.23 -34 1.69421 3.46 0.00 -24	12% NOTIONAL ITALIAN GOVT. BOND (BTF) *	\$Fr 125,000 \$ per \$Fr
sion. Currencies are in descending relative strength. Percentage as a weak currency. Obsergence shows the ratio between two	Close High Low Prev. Dec 115.47 115.90 115.27 116.47	Latest High Dec 0.6668 0.6700 Mer 0.6853 0.6685
e actual market and Ecu central rates for a currency, and the a currency's market rate from the Ecu central rate.	Mar 115.27 115.47 115.10 116.26 Estimated volume 22291 (49245)	Jun 0.6663 0.6863
s are based on 15% band limitations just do not show the -Mark.	Previous day's open Int. \$1994 (87978)  10% NOTICEAL SPANSH SOVT. BOND (BONGS)	
WARD AGAINST THE POUND	Pip 20m 100m of 100% Class High Low Prev.	MRLADELPHIA SE 2/\$ OFTE 131,250 (cents per E1)
One month % Three % p.s. months p.s.	N A	Strike Price New Dec
4815 0.36-0.33cpm 2.75 0.68-0.83pm 2.28 9485 0.30-0.21cpm 1.57 0.70-0.57pm 1.30 8225 par-yaxis -0.53 7-1-dis -0.62	A Estimated volume 0 (0)	7.425 5.27 8.48 1.450 3.02 3.61
(50 12-16c6s -3.09 41-49ds -3.31 10875 14-25-oreds -2.60 6-73-ds -2.65	Previous day's open int. () (0)	1.475 1.29 2.18 1.500 0.26 1.19 1.525 0.07 0.57
5100   - 1 <sub>2</sub> -5 <sub>2</sub> 010   -0.90   -0.90   -0.90   -0.90	ESOU,000 pelats of 198%  Close Fligh Low Prev.	1.525 0.07 0.57 1.850 - 0.22 1.575 - 0.07
146.25; 5-70nedis   -2,94   19-22dis   -3,35	Dec 94.42 94.43 94.38 94.58	Previous day's open int: Calls Previous day's volume: Calls
1.9379 14-5400000 0.75 14-54000 0.25 7850 14-1000 -1.20 24-24000 -1.14 1.450 14-2200000 -1.86 49-57400 -1.71 1.275 12-3500 3.88 15-14000 3.88	Lun 94 62 94.89 94.56 94.72 Sep 94.55 94.56 94.50 94.62 Dec 94.42 94.42 94.40 94.48	PARIS
(6) 1-1-0000k -0.60 21-4-30b -0.70	Bat. Vol. Sec. Sign. not shown) 80957 (63605) Previous day's open int. 376576 (374568)	7 to 10 YEAR 10% NOTION Open Set
	THREE MONTH EURODOLLAG. *	December 124.12 March 128.30
doe trading. Six-month forward dollar 1.86-1.50pm . 12 Month	Class High Low Prev.	June 127.72 Estimated volume 149.256 †
WARD AGAINST THE DOLLAR	Dec 96.45 96.47 96.48 96.47 Mer 96.42 96.44 96.43 96.48 Jun 96.16 96.21 96.20 96.24 Sep 96.91 96.98 96.96 96.01	THREE-MONTH PISOR FUTUR December 93.57
One months   % Three   %	Est. Vol. (inc. ilgs. not shown) 883 (522) Previous day's open int. 11145 (11066)	March 94.48 June 94.82
	THESE MOSTE SURGEMENT	September 95.18 Estimated volume 35,037 †
1935 0.42-0.40cpm 3.53 1.11-1.06pm 3.12 3175 0.11-0.15cde -[.18 0.30-0.35de -0.60 3036 0.48-0.50cde -0.00 1.33-1.37de -2.84	Disk to points of 100% Closts High Low Prev. Dec 93.60 93.65 83.78 83.84	GAC-40 PUTURES (MATTIF) &
185   18,00-20,0000s   -8,20   -49,00-53,000s   -8,54 8100   2,80-3,20creds   -5,29   -8,20-8,70ds   -4,87	Mor 94.46 94.51 94.44 94.51	October 2205.0 November 2217.0
4940   0.48-0.49-66-1_9.44   191-1936-1319	Sep 95.20 96.22 95.16 95.23 Dec 95.31 96.33 95.29 95.32	December 2233.5 Merch 2259.0
81.75 7.80-8.80medy -0.03 23.00-25.00dg -1.81	Estimated volume 41904 (82353) Previous day's open int. 700051 (696720)	Estimated volume \$3,003 † 1
2000 1,90-1,95cc0s -3.00 4,95-5,15ds -3.41 2000 2,90-3,30cccds -4.54 7,90-8,46ds -3.98 8.25 0,06-0,05ypm 0,61 0,31-0,29pm 1,11	THREE MONTH (CO ECU in points of 100%	December 119,68 Estimated volume 2,961 † To
9200 3.10-3.40pride -3.27 8.90-9.30de -3.90 9015 0.18-0.20cde -1.82 0.43-0.47de -1.30	Dec 92.95 83.00 92.94 93.03	OPTION ON LONG-TERM PRI
don broding, † UK, helded and Edu are quoted to US commer.	Mar 93.73 93.61 93.73 93.61 Jun 94.26 94.25 94.25 94.34 Sep 94.54 94.54 94.53	Strike December
16 doller and not to the individual corrency,	Estimated volume 584 (2138) Previous day's open int. 32807 (32352)	123 1.06 124 0.45
ICY INTEREST RATES	THREE MONTH SINO BASSS PRANC SFR 1m points of 100%	125 0.12 126 0.03 127 0.01
One Three Sh Gee Month Months Months Year	Close High Low Pres.	Open Int 204,597 Estimated volume 53,532 † 1
	Mer 98.04 98.06 96.03 96.06 Jun 98.31 98.30 98.30 98.34	† All Yield & Open Interest fi
50 - 50 - 50 - 50 - 50 - 50 - 50 - 50 -	Sup 98.40 98.40 98.40 98.43 Estimated volume 2541 (8557)	
45 44 47 44 44 44 44 44 44 44 44 44 44 44	Previous day's open int. 49242 (48716) TRREE MONTH EXPOLEM INT. NATE	BAS
67 67 67 68 68 67 68 7 7 8 7 8 8 8 8 8 8	LOLA 1,000as points of 100%  Close High Low Prev.	*
8b a   64 a   6 76   75 7	Dec   91,28   91,41   91,28   91,30     Mar   91,97   92,05   91,94   42,15	Adam & Company 6 Alled Trust Bank
34 - 25 4 - 3 4 - 3 44 - 34 94 - 35 95 - 36 85 - 34 86 - 35 124 - 114 114 - 11 11 - 104 105 105 105	Jun 92.57 92.47 92.35 92.82 Sop 92.61 82.66 92.61 92.75 Estimated volume 7970 (8235)	AIS Bank 6 CHarzy Ansbacher 6
tree years 4,2-4,5 per cont; four years 4%-4%, per cent; fee years or US Dollar and Japanese Yes, places, two days' metas.	Previous day's open int. 105335 (104122)	Bank of Baroda
(see supplement test) (see 5), 1810 (sept) (1810)).	PT-SE 100 MINEX \$20 per tell index point	Sank of Cyprus 6 Bank of Ireland 6
E CROSS RATES	Close High Law Prev. Oec 3171.0 3174.0 3151.0 3165.0 Mer 3187.5 3185.0 3173.0 3201.0	Bank of India 6 Bank of Scotland 6
v. S Pr. N PL Line CS S Pr. Pts. Equ	Jun 3197.5 3211.0	Berclays Bank
0 2.223 2.818 2448, 1.948 54.48 200.4 1.312 26 1.501 1.903 1662 1.215 36.77 133.3 0.886 31 0.886 1.124 975.3 0.777 21.71 78.90 0.523	Previous day's open int. 70289 (68813)	eBrown Shipley
25 1.501 1.503 1662 1.315 38.77 138.3 0.866 11 0.866 1.124 975.3 0.777 21.71 79.90 0.223 77 13.87 17.56 15259 12.15 339.7 1250 8.185 2.832 3.210 2786 2.210 82.02 228.2 1.494	" Confricts traded on APT, Closing prices shows.	Citizank NA
50 1 1.968 1100 0.878 34.49 NO.15 0.590		Clydesdale Benk
07 1.341   447 1256   1 27.85 102.9 0.674   12 4.083 5.175 4492 3.678 100. 388.0 2.410	POUND - DOLLAR	Couts & Co
71 1.109 1.408 1227 9.972 27.17 100. 0.988 12 1.694 2.148 1884 1.485 41.50 152.7 1.	PI PURESM EXCHANGE RATES	Cyprus Popular Bank 6
1,000: Beigkan Sr. per 100; Peasts per 100.	8pct 1-mit. 3-mp. 6-mit. 12-mit.	

PE AND OPTIONS		
ES AND OPTIONS  LIFE EURO SINSS FRUIC OPTIONS SET 1st metric of 100%	LEFE NUMB FUTINGES OFTIONS	<b>Money Market</b>
Strice Calls-settlements Puts-settlements	Strike Calls-settlements Puls-settlements Price Dec Mar Dec Mar	Trust Funds
9500 0.62 1.04 0 0 9525 0.39 0.80 0.01 0.01	9850 1.42 1.66 0.04 0.36 9800 0.97 1.51 0.09 0.51 8850 0.60 1.18 0.22 0.69	Group and CALL IN
9575 0.03 0.34 0.15 0.05 9600 0.01 0.16 0.38 0.12 9625 0 0.07 0.82 0.28	1900 0.32 0.92 0.44 0.92 1906 0.15 0.70 0.77 1.20 1919 0.06 0.51 1.18 1.51	CAF Money Management Co 144 44 Pembery Rest, Training 185 2.0 0732 7701 Calcast Negot Fund. 5.55 0-0004 Co 1500 - 5.08 13-1 Deputs Over 21 million 5.76 - 5.68 13-1 Deputs Over 22 million 5.76 - 5.68 13-1
9650 G 0.03 0.87 0.49 9675 O 0.01 1.12 0.72 Estimated volume tatel, Calle 0 Puts 0 Provious day's open fat, Calle 1977 Puts 1700	1015 0.03 0.38 1.85 1.88 1020 0.02 0.27 2.14 2.27 Estimated voltors total, Cafe 7306 Peds 3753 Provious dity's open let, Cafe 238720 Peds 165002	The CHIF Charities Deposit Account
		Deport
LEFE ITALIÁN GOVT. BOND (BTP) RUTURES OPTIONS Use 200m 1000he of 199%  Strike Calls-settlements Puts-esttlements	LIFFE SHORT STEELING OFFICIALS SERBLARD pokels of 190% Strikes Collegentaments Pulsagettlements	Capt. Bd. of Fig. of Church of England; 2 Fore Smart, Landon COT SIC 07:-465 ff Deposit
Price Oec Mar Dec Mar 1140 1.90 2.81 0.43 1.54 1145 1.54 2.51 0.57 1.74	Price Dec Mar Dec Mar	16-18 November St. Lordon SCIP 800 021-296 14
1150 1.23 2.25 0.76 1.98 1155 0.94 1.97 0.97 2.20 1180 0.71 1.74 1.24 2.47	9425 0.25 0.44 0.08 0.08 9450 0.12 0.26 0.20 0.15 9475 0.05 0.15 0.38 0.29	TESTA Data  A.23 3.90 3.40 8-7  Call Fund 5.34 3.07 5.21 8-7  Special Fund 5.27 3.65 5.30 1-7  Data Fund 1.55 1.56 1.50 1.50 1.50 1.50 1.50 1.50 1.50 1.50
1165 0.51 1.47 1.54 2.70 1170 0.37 1.28 1.90 3.01 1175 0.25 1.11 2.26 3.34	9500 0.02 0.08 0.60 0.47 9525 0 0.04 0.83 0.88 9550 0 0.02 1.08 0.91	_ • _
Estimated volume total, Calls 6078 Pate 718 Previous day's open int. Calls 48163 Puts 35074	Estimated volume tetal, Calls 12058 Puts 6807 Provious day's open int, Calls 167845 Puts 131845	Money Market
U.S. TREASURY BONGS (CBT) 8%	JAPANIPSE VEN (SAM)	Bank Accounts
S100,000 32nds of 100%	JAPANESE VEN (MAN) Y12.5m \$ per Y100 Labert High Low Prev. Dec 0.9215 0.9220 0.9204 0.9227	AIB Bank High Interest Chages Account Behove Hd, Unitage US\$ 15A 22,600-53,999 227 1.78 2.29
11 Mar 117-06 117-21 116-29 117-19 Jun 116-00 118-06 118-00 118-22	Dec 0.9215 0.9220 0.9224 0.9227 Mar 0.9245 0.9245 0.9238 0.9257 Juni - 0.9288	Althor Huma Pank dic
Sep 115-05 - 115-26 - Dec 114-29 114-29 114-28 115-16 Mar - 114-29		Treesery Account – for pullowiesed advisors 526,000–649,999
Jun	DESTSCHE MARK (MM) DN125,000 \$ per DN1 Listest Fligh (Low Pres. Dec 0.5888 0.5904 0.5878 0.5907	Maddy too fac - for prosped und bediests climbs
U.S. TREASURY BRLS (MAN)	Dec 0.5888 0.5904 0.5878 0.5907 Mar 0.5850 0.5882 0.5838 0.5867 Jun - 0.5838	210,000 - 22,000 4.75 1,5825 4.85 5 22,000 - 544,000 5.25 1,0027 5.36 8 250,000 of nitro 5.00 4.125 3,54 8 Many Rainet qualificos - places Mestima
\$1m points of 100% Latest High Low Prev. 96.80 96.62 86.79 96.82 W. Mar 96.67 96.88 96.69 96.71		## Affiled Types Bank Life 97-101 Centers St, Landys, SCHI 840 . 071-625 of PORRO, (22,007+)
Dec 96.80 96.52 98.79 96.82 w. Mar 96.87 96.88 96.66 96.71 98.49 98.49 98.49 96.49 96.59	THREE MONTH SURODOLLAR GAME, Stm points of 100% Latest High Low Prev.	PRODE   1780
BRITISH POUND (DAIN)	Latest High Low Prev.	SAME AND ADDRESS OF 1 1/201 200
Se per £  Labest High Law Prev.	Nec 95 M 16 N7 05 N5 05 69	American Express Rept Ltd States Home, Empose His Print State States Home, Empose His Print State States States Access 200 - 200   202   150   202   150   202   150   202   150   1
Dec 1.4758 1.4678 1.4734 1.4768 Mar 1.4700 1.4730 1.4670 1.4700 Jun - 1.4640	Mar 95,47 95,49 95,46 95,54 Jun 96,27 95,28 95,26 95,33 Sep 95,08 95,10 96,08 95,16	2500-296539
SWISS FRANC (BING) SF: 125,000 S per SF:	STANDARD & POORS 600 INDEX \$500 times index	Bank of Ireland High Interest Chague Acc
Latest High Low Prev.	Latest High Low Prev. Dec 467.90 468.25 467.10 468.05 Mar 468.90 468.90 468.20 488.00	016 646 ± 1.426 1.116 1.426 1.1
77. Dec 0.8866 0.6700 0.6857 0.6851 77 Mer 0.6853 0.6885 0.6846 0.6678 25 Jun 0.6663 0.6863 0.6840 0.8671	lun 489,90 Sep 470,80	22,000-02,000 4.00 3,000 4.000 8.000 4.000 8.000 4.000 8.000 4.000 8.000 4.000 8.000 4.000 8.000 4.000 8.000 4.000 8.000 4.000 4.000 4.000 4.000 4.000 4.000 4.000 4.000 4.000 4.000 4.000 4.000 8.000 4.000 8.000
-		225,000-6249,000   4.80   2.45   4.70   6 2250,000   6.75   4.31   5.80   6 Bank of Wales - Business Accounts
PRILADELPHIA SE E/S OFTENIS E31.250 (cents per E1)		Bank of Woles - Business Accounts tragency, Great CY1 AVS Curvet Account ESS, 800-   ALS -   ALS -   ALT   M
Strike Cuite Price How Dec Jun 1,425 5.27 5.46 6.03 6	Plates Mar: Now Dat: Jam Mar: LS7 0.02 0.60 1.32 2.43	Barcinys Select 70 Box (20, Westwood St. Pt., County DED 4000 22,000-63,965 430 3.21 4.30 Yea
1.450 3.02 3.61 4.37 5 1.475 1.29 2.18 3.02 3	09 029 1.22 2.14 3.36	22.000-80.005
- 1.525 0.07 0.57 1.31 2 1.650 - 0.22 0.80 1	.07 4,65 5.56 6.43 7.65 .45 7.06 7.65 6.38 9.50	Berclays Prime Account R.I.C.A.
- 1.575 - 0.07 0.48 0 7. Previous day's open loi: Calla 660,205 Publ 1 20 Previous day's volume: Calla 14,626 Publ 17,7	.98 9.48 9.96 10.47 11.50 518.549 (All currencies) 402 (All currencies)	\$7,000-02,499 220 1,66 2,22 122 12500-01,694 250 1,66 2,52 120 120 120 120 120 120 120 120 120 12
PARIS		E25,000+ 3.45 Z.70   3.46   4 Brown Shipley & Co i.id Families Cost, Lothbury, Loudon M.D. 071-480 40
7 to 10 YEAR 10% NOTIONAL PRENCH BONG Open Sett price Change		100 June 100 July 100
- December 124.12 123.88 -0.00 Misrch 128.30 128.18 -0.04 June 127.72 127.50 -0.04	124.24 123.84 - 189.803 128.52 128.20 - 30.541	Chiedenisti Sank Pic 8 & Anten Squan, Edopuni SQ 277 801 509 40 HCA
February volume 145,259 † Total Open Intere	et. 202,277	Cater Allen LM 25 Brotin Line, Leaden (CSV 40.) 071-453 20 HCL
8 THREE-MONTH PIBOR FITURES (MATH) (Par 4 11 December 93.67 83.60 -0.01 March 94.48 94.43 40.03	93.69 93.59 - 90,561	Court SLOTO spar   S.00   3.76   S.07   4.00   March St.00 spar   S.00   S.76   S.07   March St.00
June 94,92 94,88 September 95,18 95,15 +0.04	94.93 94.88 - 45,658 95.19 95.14 - 30,641	Charterhouse Back Limited  1 Palemeter Nov. ECA65 705.  52,500-219,500
Estimated volume 35,037 † Total Open Interes GAC-40 PUTURES (MATT) Stock Index Oct.2		250,000-536,250 4.78 1.50 4.85 M
Gobber 2205.0 2189.8 -7.20	2212.0 2169.5 - 12,020	\$200,000 - 250 IN 250 IN
December 2233.5 2206.0 -19.0 Milerch 2269.0 2239.0 -18.0 Edimeted volume 33,003 † Total Coen Interes	2272.0 2259.0 - 8,665	Mary other community and controlled in a mine passion planar and 2000 Clyclosolada Reselt Procedure Scientisca Acon
TOU BOND (MATE) COLES	41,562	55 X Vecces Pikes, Gascow St 28L 011-509 78 E10,000-220,960 420 175 427 0 F30,000-220,960 439 175 427 0
December 119.68 119.68 +0.22 Estimated volume 2,961 † Total Open interest	13,217	The Co-operative Bank PO Sur Sol, Surveyork, Lance. Cod, 1986.
3 OPTION ON LONG-TIPM PRENCH BOND (MAT	Puis	Problem - Cost form Council Account All Balancia
Strike December Merch 123 1.06 - 124 0.45 -	June December Merch June 0.21 - 0.25	Freehood III - III day Notice States ESO,000 - 450 - 4
125 0.12 - 126 0.03 2.69	- 1.22 0.30 - - 0.86 -	\$5 non-co add 4.75 2.51 3.76 0.54
127 0.01 2,01 - Open Int. 204,697 93,325 - Estimated volume 63,532 † Total Open Interes	0.61 - 250 179,503 71,695 236 549,902	Top The
† All Yield & Open Interest figures are for the	previous day,	





**loney Market** ank Accounts 227 L/8 229 G 5.125 1.440 5.140 18 5.976 4.930 5.440 18



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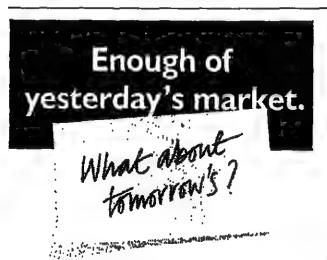
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### **MONEY MARKETS**

### Rate nerves hit shorts

A DOUBLE dose of official caution over the prospect for lower interest rates in the UK unsettled the markets yesterday and short sterling fell sharply, writes Peter John.

First, Mr Eddie George, the governor of the Bank of England, sought on Friday to dampen speculation over an early cut in base rates but the market largely shrugged off his

UK clearing bank base lending rate 6 per cent January 26, 1993

Then on Sunday, Mr Kenneth Clarke, the chancellor, voiced his support for Mr George by saying that there was no need to cut interest rates "as of now". The opinion of many economists and dealers was "well, he would wouldn't he," but they were in no mood to take chances.

Although most dealers remained convinced that the chancellor will have to cut rates by at least half a percentage point at or soon after the Budget, the short sterling futures contract which expires on December 15 was marked down by some 17 basis points to 94.38 at the start of

dealing.
In the event of a half-point cut the December contract was looking very cheap and there was good buying at the lower levels which took it back to 94.42 by the close on turnover of more than 50,000 contracts. Meanwhile, interbank operations were very tight and

unwillingness by commercial banks to provide bills in exchange for the Bank of England's offer of assistance saw overnight rates pushed as high as 14 per cent at one stage.
Traders discounted rumours

that the central Bank might be responding to the governor's comments by sending signals that interest rates would not fall. They pointed out that the Bank offered help at each opportunity and at the established rates.

The Bank of England offered early assistance after forecasting a liquidity shortage of around £950m, later revised to £1.1bn, but there were no takors. More than half of the shortage represented bills for repurchase by the market. The Bank did not operate in

and provided only £55m of assistance in the afternoon. The bulk of the shortage was dealt with via £930m of late assistance. Dealers said that as late help is traditionally provided for a very short period - usually one or two days - yesterday's help was likely lead to tight monetary

the money market at midday

MONEY RATES NEW YORK Treasury Bills and Sonds 6.83-6.96 41<sub>2-4</sub>5 6.12-6.20 8.40-6.50 6.35-6.45 6.63-6.78 4.2-4.2 6.08-6.16 LONDON MONEY RATES Nov 1 14 54

BASE LENDING RATES

Financial & Gen Bank ... 7

Probert Flurning & Co ... 6

@Guinness Mahon ...... 6

Habib Bank AG Zurich ...6

Heritable & Gen law Blu. 6

Meghraj Benk Liid ..... Midlend Benk .....

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.1) 3 months US dollars offer 1,1

<del>Oi lambros</del> Bank ....

Rez Brothers

Stering CDs.
Local Authority Deps.
Local Authority Deps.
Local Authority Bonds
Discount Malt Deos
Company Deposits
Treasury Bills (Bury)
Bank, Bills (Bury)
Dellar CDs.
SDR Linked Dep. Offer
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Composite ‡	467.84	497.73	464.81	464.30	466.50 (15/10)	439.05 (8/1) 498.48	469.50	4.40	FRANCE CAC General (\$1/12/81	1) 6	808.54	601.97	607.54	809.73 (28/10)	471.24 (13/1)
Industrials# Pagental	535.49 45.12	535.87 45.02	531. <i>9</i> 7 44.94	\$31.45 45.13	235.37 (22/10) 48.40	(26/4) 39.69	535.67 (25/16/92) 48.40	994 (57/8/35) 3/65	GERMANY HZ Akzen (31/12/5%)	794.1			785.51	79482 (29/10)	1777.21 (29/1) 598.82 (14/1)
MYSE Composite	200.35	256.99	257,48	27.27	250.48 (15/10)	(8/1) 236.21 (8/1)	250.48 (15/10/93)	(1/10/74) 4 46 (25/442)	Commerciaesk, (1/12/5) DAX (30/12/67) HONG KONG		0 2275.9	2243.6	2250.00	2275.90 (29/10)	1694.30 (14/1) 1516.50 (13/1)
Arter Mill. Value	401.44	477.25	475.06	473.54 765.48	463.23 (151.0)	(871) 295.84 (871) 645.87	483.23 (15/10/93)	29.31 (9/10/72)	Hang Stag Bask (\$1/7 IRELAND						5437.80 (A/1)
AUGUAQ Composite	779.25	77149	771.88	765.46	767.42 (15/10)	(25/4)	787.42 (15/10/93)	54.57 (31/10/2)	TSEO Overall (A/1/88) ITALY Banca Core, test, (1977)	1797.0 2) ii	5 1796.47 d 588.41				1191.19 (11/1)
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Friday In	ocks ( scied \$1,500	Closing price 54	Onlange on day		† Volume	Oct 25		Oct 27	MORWAY  Gala SE (and) (2/1/62)  PHOLEPPINES	1027.81	1034.93	7017.39	1007.78	1034.93 (2978)	668.95 (27N)
Entrie 3,86 Gen Motorn 3,85	95,500 91,300 22,500	28 <sup>4</sup> 0 47 <sup>5</sup> 1	14	Am	SDA0	20.20		18.829	Ments Comp (2/1/65) SINGAPORE	<u> </u>	2372.82	229 <u>5.59</u>	223.6	2372.53 (29/10)	1270.68 (4/1)
Telefonce 3,53 Exetern Kodak 3,53	90,690 28,000	544 63	+ 14 - 4	MYS inc. (No.	es Tracieci	2,68 1,19		2,541 1,071	SES AF-Singapore (2)47 SOUTH AFRICA JSE Sold (28/978)	1701.09	1795.0	581.31 1770.0	580.73 1754.0	2098.00 (507)	394.10 (13/1) 775.00 (5/1)
Chicarp 2,53 Ford Monor 2,45	0,900 1,100	364 613	- 7	Refl Und	hanged	65	6 600 5 648	969 667	JSE Industrial (28/9/78) SOUTH KOREA** Norse Comp Et. (4/1/80)	4538.0 <b>9</b> 781.78	4532.0 742.72	4490.0 742.83	4500.0 744.85	4719.00 (6/7)	4333.00 (19/4)
Bristol Myery 2,28			• 114		Highs Lows	2		70 34	SPAIN Manto SE DOMINES	/g1./g	308.20	308.55	744.55 303.81	777.25 (9/6) 310.25 (22/10)	915.83 (6/3) 215.60 (4/1)
CANADA									SWEDEN Alarsanden Gen. (1/2/3) SWITZERLAND		1495.20	1421.30	1405.80	1424.20 (297.0)	879.10 (28/1)
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Monday, November 1, 1993

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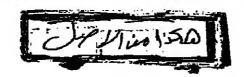
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# Contrasting influences weigh on Dow

### Wall Street

US SHARE prices traded in a narrow range on either side of opening values yesterday as the markets struggled with the contrasting influences of good economic news and rising bond yields, writes Patrick Horverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 1.40 at 3,679.19. The more broadly based Standard & Poor's 500 was 0.06 higher at 467.89, while the Amex composite was down 0.46 at 480.98, and the Nasdaq composite, which outperformed broader indices for the second consecutive day, was up 2.03 at 781.29. Trading volume on the New York Stock Exchange was 142m shares by 1 pm, and declines outnumbered advancing stocks by 995

start, with investors troubled by early declines in bond prices. Those declines worsened later in the morning when the National Association of Purchasing Management published a stronger-thanexpected October report on manufacturing activity. The latest in a string of positive economic data, the report pushed the benchmark 30-year bond down almost three quarters of a point, lifting the yield back above 6 per cent.

The purchasing managers' report, however, was bullish for stocks. The NAPM said that its index of manufacturing activity rose from 49.7 in September to 53.8 in October. Any reading over 50 is seen as evidence that the manufacturing sector is expanding. Strong readings in manufacturing orders and production, and lack of growth in manufacturing prices, were seen as partic-

The figures, however, were not bullish enough to provide a sharp lift to equity market sentiment, and amid continued concern that share prices may

be too steeply overvalued, stocks drifted in a narrow

range throughout the morning. Among individual stocks, McDonnell Douglas jumped \$2% to \$95% in busy trading after the aircraft manufacturer and defence supplier reported net income of \$142m for the third quarter, an impressive turnround from the \$42m loss incurred in the same period a year ago. The company's earnings were boosted by a one-off

tax related gain of \$41m. Car stocks remained in demand in the wake of strong third quarter earnines reports. Chrysler added \$1% at \$57%, General Motors \$% to \$48% and Ford \$\% at \$62%.

Forestry product stocks, hit late last week by negative com-ments from a brokerage analyst, railied strongly. Interna-tional Paper climbed \$1% to \$61%, Georgia-Pacific added \$1% at \$66% and Louisiana-Pacific rose \$1% to \$38.

Dean Foods rose \$1% to \$27% after the company announced that it would be acquiring the Birds Eye vegetable business from Kraft General Foods for about \$140m. Compaq rose \$1% to \$68% in busy trading after the computer giant announced further price cuts in its leading

### Canada

TORONTO was under pressure at midday from further declines in the precious metals sector and the TSE-300 composite index shed 25.56 to 4,229.98 in turnover of C\$266.8m. Declining issues outpaced advances 328 to 285, with 296 stocks unchanged.

### SOUTH AFRICA

A FALL in the bullion price to \$364 an ounce led the gold shares index down 55, or 3.1 per cent, to 1,700. In the sector, Kloof shed R3.25 to R39.50. The industrials index gained 7 at 4,539, while the overall index lost 9 to 3.907.

# Global investors remain intent on Pacific Rim

earnings growth that compares

favourably with the Far East".

earnings growth in the west

may be unsustainable in the

long term, it will drive p/e

ratios down to levels which

will look favourable compared

to the Pacific Rim: "the pro-

spective UK p/e is now actually

As the emerging markets in

the Far East become ever more

popular, especially with US

investors, a popular game to

play at the moment is in identifying those countries

which remain ripe for for-

eign investment. According to

one UBS global strategist, arranging markets by their

market capitalisation reveals

that the Philippines, Thailand

and even Taiwan have some

way to move before reaching the level of Hong Kong, which

is now bigger than that of

disappointments, and the mar-ket's drift downwards contin-

ued yesterday. The listing of

Japan was one of last week's

below that of Hong Kong."

He adds that while rapid

### By John Pitt

The attention of the world's investment com-munity remained firmly fixed on Hong Kong and the Pacific region's other emerging markets last week. But weakness in some of the mature equity markets, including Japan and France, kept the advance in the FT-Actuaries World index to a minimum.

The enthusiasm for Hong Kong - it is the world's third best performing market in dollar terms so far this year after Malaysia and Finland, according to the FT-A data - is not shared by everyone. Mr Albert Edwards, global strategist at Kleinwort Benson, supports an overweight position on the Pacific Rim but he argues the case against investment in

Hong Kong.
"One of the main arguments used to justify the heavy inflow of money into the Far East is that it is a rapid growth area. We have no quarrel with that view; but what we would point out, however, is that mature economies such as the US and UK are generating Bast Japan Railway, which had been expected to drive the Nikkei higher, did the opposite. The market's drift has

caused no surprise for Nomura's strategy team, which advised a cautious approach back in May. While still sympa-thetic to a bullish appraisal of Japanese equities, Nomura suggests that a lot of the good news has already been priced into shares.
For example, "an imminent

package of Y5,000hn in income tax cuts has been the market gossip for some time, leaving prices vulnerable to disappointment over both timing and size". Europe's equity markets

with both France and Italy falling back as domestic worries took hold. The decline of the French market, says Nikko Europe's Mr Michael Woodcock, was due more to the government's

climbdown over a package of

austerity measures proposed for Air France, the state-run

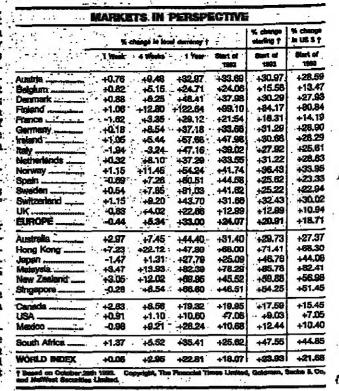
showed a divergence of performances over the past week,

slow pace of interest rate cuts. Mr Woodcock suggests that the Air France saga - which ended on Friday after a 16-day stoppage of the airline's operations - called into question the government's privatisation programme, given that a number of those companies lined up for sell-off are in need of similar cost-cutting. If the government's resolve broke: once, might it not happen.

again? The level of European interest rates and the likely acenario for further reductions remain uppermost in investors'

Warnings last week from Mr Hans Tietmeyer, the Bundesbank president, against expect-ing further interest rate reductions following the surprise 1/2 percentage point cut on October 21 may have dulled some appetites; but others remain unconvinced.

Hoare Govett forecasts a further 50 basis-point cut before the end of the year, probably in December, with a further full percentage point off in the first half of 1994.



# Nikkei loses 1.3% as region continues to set records

PROFIT-TAKING in East Japan Railway dampened sentiment, and the Nikkei average lost 1.3 per cent on arbitrage linked selling writes Emiko Terazono in Tokyo. The 225-issue average ended

264.73 off at 19,438.24 after opening at the day's high of 19,656.97 and slipping to a low of 19,375.24 in the afternoon. Volume was a thin 200m shares, against 297.6m. Declines led rises by 594 to 363. with 182 issues unchanged. The Topix index of all first section stocks shed 10.84 to 1,619.75, and in London the ISE/Nikkei 50 index eased 3.11 to 1,283.67.

Traders said individual investors and second tier brokers were selling JR East. Meanwhile, much of the downward pressure came from arbitrage selling linked to Nikkei

# JR East . Share price and index rebased 80 26 27 28 29 Oct 1993

Nikko Securities commented: "The market is not going to turn up until JR East rises above its initial trading price af Y600,000."

JR East receded Y28,000 to Y492,000, slipping below the psychological support level of Y500,000 for the first time

Nikkel index will be supported at its 52-week moving average of 19,200. "That is the lowest it is likely to fall in the near term," said a Japanese broker.

Margin buyers sold Sumi-tomo Metal Mining, which fell Y30 to Y836, and NEC, down Y2 at Y349. High-technology shares, which gained last week on the rise in the dollar against the yen, declined on profit-taking.

Large-capital issues also eased on profit-taking: Nippon Steel dipped Y8 to Y326 and NKK Y4 to Y369. Banks were lower as a leading Japanes brokerage house sold Nikkel 300 linked shares: Industrial Bank of Japan lost Y20 to ¥3,340 and Dai-Ichi Kangyo Bank Y40 to Y2,360.

Carmakers, on the other hand, firmed on foreign buying. Toyota Motor, the most active issue of the day, rose Y20 to Y1,900, while Honda Motor moved ahead Y20 to

Y1,610. NTT advanced Y3,000 to Y834,000 on bengain hunting. In Osaka, the OSE average declined 110.64 to 21,511.11 in volume of 7.9m shares. Smalllot selling was one reason; and railway stocks lost ground in bandem with JR East

### Roundup

FOREIGN buying brought fur-ther records to the Pacific Rim. HONG KONG continued to be propelled higher by further strong US and Japanese demand, although the advance alowed towards the end of the session with the emergence of profit-taking. The Hang Seng index ended 300.10, or 3.2 per cent, up at a record 9,639.19, after establishing an all-time

intraday high of 9,710.08.

BANGKOK finished its most active trading day ever at another historic high as foreigners continued to pour funds into the market. The composite index rose 65.25, or 5.2 per cent, to 1,326.16 ished 2.95 ahead at 469.10 in turnover of Bt28bn, against KARACHI saw the KS the previous record of Bi27bn set on October 7. NEW ZEALAND registered

its seventh consecutive advance with the NZSE-40 capital index 35.52, or 1.6 per cent, ahead at 2,199.50 - its highest level since August 1989. AUSTRALIA climbed to

another six-year peak, encouraged by a narrowing in the current account deficit, a 9 per cent jump in exports and a rise in building approvals. The All Ordinaries index added 20.2

SEOUL advanced in brisk trading as buying interest in large-capitalisation exportoriented issues gained momentum. The composite index

closed 11.04 higher at 761.76 in turnover of Won866.32bn. JAKARTA was firmer in active trading, with both local and foreign investors focusing on banking and property stocks. The official index fin-

KARACHI saw the KSE 100 index recover 12.14 to 1,540.08, writes Farhan Bokhari. The market had turned lower on profit-taking during the previous two days.

However, after official predictions of a bumper 12m-bale cotton crop this year, there was concern over new estimates from some officials and businessmen who predicted between a 10 and 15 per cent shortfall from the estimated figure due to recent pest attacks in central Punjah.

BOMBAY relinquished further ground as brokers continued to wind down positions ahead of December 1 when new capital adequacy norms will be applied. The BSE index shed 62.46 to 2.621.28. KUALA LUMPUR was

dragged lower by a retreat in Telekom Malaysia. The KLSE composite index dipped 4.94 to 967.05 as Telekom fell 80 cents

# Volkswagen enlivens Frankfurt's quiet day

European countries and in three German states reduced bourse activity, writes Our Markeis Staff.

FRANKFURT saw volatility in individual stocks although the DAX index slipped 6.88 to 2.062.12, most leading stocks had a very quiet day and turn-over fell from DM9.5bn to DM4.1bn The blue chip exception was

Volkswagen, up DM4.30 to DM398.30 on the session, and by another DM4.20 to DM402.50 in the post bourse. Mr Peter Böhnke, of Bank Julius Bär in Frankfurt, said that many traders liked to short VW, and had to cover after a major buyer emerged yesterday.

Some smaller stocks shot up on a combination of the thin market and investment buying. Porsche climbed DM51 to DM868, the pharmaceuticals and dietics group, Altana, by DM34 to DM625 and the naner-

maker, PWA by DM6 to DM193. AMSTERDAM closed at the day's high, with activity remaining concentrated in the options and futures exchanges.

FT-SE	Actu	arie	s Sh	are	Indi	ces		
November 1 (Portial) Hourly changes	Open	10.30	11.00	12.00	13.00	THE B	UROPEA 15.00	SERVES Closes
FT-SE Eurotrack 100 FT-SE Eurotrack 200	1374.03	1374,00	1374.19 1439.79	1374,03	1373.83	1373.86	1375.07	
	Oct.	29	Oct 28	00	27	Oct 28	0	d 25
FT-SE Eurotrack 100 FT-SE Eurotrack 200	1374 1439		1389.48 1435.53		7.82 10.55	1377.1 1437.9		78.89 42.09

The CBS Tendency index put on 0.6 to 136.5, with a stronger dollar helping to lift sentiment. In a week in which a number of the major companies release interims, Philips, out on Thursday, gained 40 cents to F139.50 and its Polygram unit Fl 1.60 to Fl 72.30. KLM, also due out on Thursday, added 90 cents to F1 40.60, picking up some of Friday's losses on fears that the Alcazar talks might have run into difficulty. Hoare Govett has put out a sell note, forecasting net profit of Fl 105m for the second quarter

compared with Fi 154.6 in the same 1992 period. ZURICH experienced an

late demand for the dollar sensitive Roche and Ciba-Geigy reversed the trend and the SMI index picked up from the day's low of 2,708.1 to close 8.9

higher at a record 2,727.1. Ciba-Geigy bearers, recent underperformers, added SFr15 to SFr815 while Roche certificates rose SFr40 to SFr5,790. Nestlé, the most active issue, dipped SFr3 to SFr1,184, after a low of SFr1,170. Profit-taking in cyclicals left Alusuisse registered shares SFr16 easier at SFr527, while among mixed to lower financials, Swiss Re shed

SFr100 to SFr3,770. ISTANBUL fell sharply, the composite index losing 565.4 or

i to raise the basic rate of VAT from 12 per cent to 15 per cent. Although the move was widely expected, it illustrated the difficulties faced by the government, which is also under pressure because of an increase in Kurdish violence. ATHENS fell by more than

L5 per cent on a further round of profit-taking, and disapintment over recent interin results. The general index lost 12.82 to 838.61 in turnover of some Dr2.7bn. TEL AVIV was another market where investors took profits, following its climb to record levels on Sunday. The Mishtanim index lost 2.4 to 238.81 in turnover of Shk392m, having risen to

241.21 on Sunday. Commentators said that the rally had been triggered by a statement from President Hosni Mubarak of Egypt in which he hoped that Israel and Syria would sign a peace agree

ment by the year end.

# uncertain session. However, 3.9 per cent to 13,935.2, follow-

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatiVest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			FRAD	AY OCTO	GER 25	1983				RURSOAY	CCTOBI	SR 28 19	<b>63</b>	DOL	LAR IND	AS INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day s Charge %	Pound Stating Index	Yen Inces	DM index	Local Currency Index	Local % chg on day	Grassi Div. Yield	US Qollar Index	Pound Sterling Index	Yen index	DM Index	Local Currency Index	1993 High	1993 Low	(sicional) ado Asm.		
Australia (69)	159.37	+1.6	158.95	109.20	139,16	159.00	+1.8	3.25	156,81	155.82	107.30	136.44	156,19	159.37	117.39	115.6		
	180.23	+1.7	179.76	123.50	157.38	156,94	+1.0	1.00	177.14	176.02	121.21	154.12	155.33	184.47	131.16			
elgium (42)	151.18	+08	150.78	103.58	132.00	135.52	+0.3	4.25	150.03	149.09	102.66	130.54	135.05	156.76	131.19	139,9		
	133.51	+0.6	133.16	91.48	116.57	127.71	+0.5	2.62	132.65	131.81	90.76	115.40	127.03	133.51	111.41	119.0		
	238.10	+0.9	237.47	163.15	207.90	219.16	+1.2	1.04	235.96	234.47	161.48	205.29	216.48	239.12	185,11	187.6		
inland (23)	125.88	+1.9	125.55	86.26	109.92	152.13	+1.2	0.68	123.48	122.70	84,49	107.43	150.32	125.88	65,50	67.3		
rance (98)		-0.8	167.63	115.16	145,74	155.02	-0.4	2.99	169.41	168.34	115.91	147.38	155.66	173.05	142,72	147.0		
crmany (60)		+1.1	133.76	91.91	117.10	117.10	+1.5	1.81	132.63	131.79	90.76	115.39	115.39	136.13	101.59	106.3		
tong Kong (55)		+3.4	371.90	255.50	325.60	369,96	+3.4	2.86	360.57	358.30	246.73	313.73	357.87	372.88	218,82	254.2		
reland (14)		+0.1	173.73	119.36	152.10	174,44	-0.3	3.21	174.00	172.90	119.06	151.38	175.00	174.50	129.28	132.2		
2tly (70)	68.92	+0.5	68.73	47.22	60.17	83.94	+0.8	1.99	68.54	68.11	46.90	59.63	83.29	78.93	53.78	59.5		
apan (469)		+1.9	150.94	103.69	132.16	103.69	+2.1	0.80	148.48	147,54	101.60	129.20	101.60	165.91	100.75	103.5		
/alaysu (69)		+1.3	475.57	326.78	416.42	469.57	+1.2	1.46	470.79	487.82	322.13	409.60	463.99	476.92	251.66	269.9		
(exico (19)					1588.53	6221.88	-1.4	0.79		1836.91		1608.34	6308.94		1410.30			
etherland (25)	195,05	+0.0	194.54	133,65	170.32	167.86	+0.2	3.26	195.10	193.87	133.50	169.75	167.54	195.17	150.39	153.4		
lew Zealand (13)	67.33	+1.7	67.15	46.13	58.79	64,48	+1.7	3.44	65.22	65,80	45.31	57.61	63.42	67.33	40.56	37,4		
lorway (23)	184,46	+21	183.97	126.40	161.07	183.27	+1.8	1.39	180.65	179,51	123,61	157.18	180.10	185.10	137.71	140.0		
ingapore (38)	323.14	+0.1	322.29	221.42	282.15	235.32	+0.0	1.43	322.98	320.82	220.92	280.90	236.42	332.55	207.04	191.8		
South Africa (60)	214.53	+0.9	213.97	147.00	187.32	197.41	+0.4	2.69	212.68	211,34	145.53	185.04	196.64	218.72	144.72	152.1		
	143 81	+0.9	143,44	98.55	125.57	146.32	+0.7	4.04	142.51	141,61	97.52	123.99	145.32	145.24	115,23	110.7		
	203 54	-0.1	203.00	139.47	177.73	245,49	+0.3	1,38	203.83	202.55	139,48	177.35	244,65	208.92	149,70	158.4		
wntzerland (50)	146.93	+0.1	146.55	100.68	128.31	135.18	+0.6	1.61	146.76	145.84	100.43	127.71	134.39	148.18	108,91	110.3		
Inted Kingdom (218)	191.21	-0.2	190.71	131.01	166.95	190.71	+0.2	3.74	191,54	190,34	131.05	166.64	190.34	193.97	162,00	154.8		
ISA (519)	190.65	+0.1	190.14	130.64	156.47	190.65	+0.1	2.70	190,53	189,32	130.38	165.77	190.53	191.56	175.38	170,9		
PODE (750)	161,46	+0.1	161.04	110.64	140.99	154.90	+0.4	2.92	161,28	160.27	110.36	140.33	154.27	162.97	133.92	134.0		
crdic (114)	192.60	<b>₽</b> 0.5	192.10	131.98	168.18	201.95	+0.7	1.21	191.64	190,43	131.13	166.73	200.45	194.54	142,13	143.7		
	159.63	+2.0	159.21	109.38	139.39	113.54	+2,1	1.06	156.57	155,58	107.14	136.22	111,23	168.80	105.89	108.7		
270-Pacific (14631	160.28	+1.2	159.85	103.81	139,94	130.10	+1.4	1,83	158.41	157.41	108.38	137.81	128.33	162.86	117.26	118.9		
lorth America (626)	187.08	+0.1	186.59	128.21	163.38	186,33	+0.1	2.70	186.92	185,74	127,92	162.65	186.18	187,68	171.51	167.7		
urope Ex. UK (532)	142.29	+0.3	141.91	37.52	124.27	133.73	+0.6	2.40	141,87	140.98	97.10	123,46	132.99	143,73	112.51	115.1		
	239.97	+2.2	239.34	164.45	209.55	222.18	+2.2	2.63	234.87	233 39	160.74	204.37	217.44	239.97	152,70	158.8		
	161.00	+1.1	160 58	110 33	140.59	132.30	+1.3	1.86	159.21	159.20	108.95	138.52	130.59	162.89	118.51	120.0		
	167.81	+0.8	167.36	114.99	148.54	146.49	+0.9	2.01	166.43	165,38	113.89	144.82	145.17	168.66	134,22	133.6		
	163.67	+0.7	169.23	116.27	148.17	150.02	8.0+	2.17	168.45	167.39	115.27	146.57	148.78	170.48	137.29	136.3		
	131.56	+0.2	181.09	124.42	158.56	177.38	+0.3	2.75	181.14	180,00	123.96	157.83	176.79	181.56	157.47	154.8		
he World Index (2168)	169.87	40.7	169.42	116.40	148.34	150.45	+0.8	2.17	168.64	167.58	115.40	146.74	149.20	170.68	137.32	136.3		

SPARCatation Sun's performance from



# as close as vou

